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NEWS SUMMARY

GENERAL

Carter Ulster 'plan' puzzle

Guild denials that President Carter planned a statement on Northern Ireland confusion developed over the President's reported plans for an Ulster initiative.

Earlier, newspaper accounts in London and Dublin had suggested that a draft Presidential speech advocating power-sharing in Ulster had been sent to the British and Irish Governments.

Mr. Jody Powell, the President's press secretary, denied that such drafts had been dispatched. Back Page

Owen begins African mission

Dr. David Owen, Foreign Secretary, leaves for Nigeria to-night at the beginning of a week's tour which is expected to take him in talks with the African frontline presidents, Rhodesian nationalists, South African Premier Mr. Ian Smith, Rhodesian Prime Minister. Dr. Owen will be accompanied at the outset by Mr. Andrew Young, U.S. Ambassador to the U.N.

Total war call in Addis Ababa

At a vast rally staged in Addis Ababa, Mengistu Haile Mariam, Ethiopian leader, urged the people to wage total war on the country's three fronts. Page 4. Feature, Page 20

BBC faces pay row disruption

BBC staff, pressing for pay rises in excess of the Government's guidelines yesterday opened up the prospect of a long period of programme disruption. Back Page

Carnival police seek riot gear

Police who will be on duty at this week-end's Notting Hill Carnival have asked for riot helmets. In a letter to the Police Federation they have also requested a mobile field hospital and an eye surgeon. More than 100 policemen were injured at last year's carnival. Riot shield makers, Page 8

Nuclear decision

The Government is to dismantle its only remaining nuclear explosives plant. The factory has been kept on a care-and-maintenance basis for the Ministry of Defence since 1952. Back Page. Windscale "economically unsound," Page 8.

Humphreys freed

James Humphreys, the former Soho porn merchant who helped expose bribery at Scotland Yard, was released from jail yesterday. Mr Humphreys had been given special remission after serving three years and four months of an eight-year sentence for wounding his wife's lover.

Price of a wife

A South Iranian sold his wife to a Shiraz brothel for $2,857 so that he could buy a car, it was reported in Tehran.

Briefly . . .

Britain is preparing a draft Bill aimed at protecting people from kidnapping. Page 6

French drivers Jacky Prive and Jacques Bris in a Range Rover were the first London-Sydney car rallyists to reach New Delhi.

British Airways executives are discussing a joint Concorde operation in Singapore with Singapore Airlines.

England were made evens favourites by Ladbrokes to win the final Test against Australia which begins at the Oval to-day.

India's former Defence Minister, Bansi Lal, was remanded in custody at New Delhi on a charge of misappropriating Congress party funds.

The Sri Lankan Government blamed a political conspiracy for the island's recent widespread violence. Crisis point, Page 4

Argentina's security forces have killed three Left-wing guerillas

BUSINESS

Firmness in sterling helps gilts

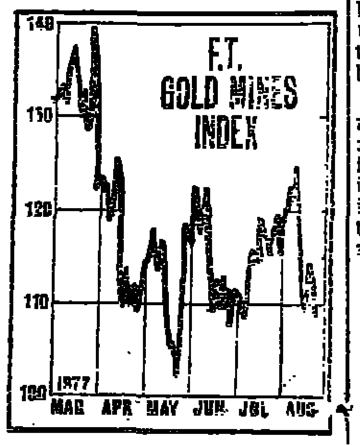
● GILTS improved, sentiment being helped by a firmness in sterling. However, the FT Government Securities Index remained unchanged at 70.27. Gains were mainly confined to shorts.

● EQUITIES failed to show a definite trend. The FT 30-Share Index closed 0.1 higher at 453.8 after being down 2.5 at 11 a.m.

● STERLING gained 7 points to close at $1.7408. Its trade-weighted depreciation fell from 62.0 to 61.9. The dollar's trade-weighted depreciation widened to 1.12 per cent. from 0.91 per cent.

● WALL STREET was 7.03 points down at 863.48 near the close.

● LONDON'S cum-premium prices of gold shares have broken out of their downward trend after a recovery in the



bullion price, and in gold mine earnings. Share prices, however, have suffered as a result of the fall in the investment currency premium.

● GOLD improved $1 to close at $144¾-145.

● FRENCH Government is considering a take-over bid by British Petroleum for Rousselot, one of the world's largest manufacturers of gelatine animal products. BP wants to acquire 66.7 per cent. of Rousselot in a deal worth £25m. Page 26

● JAPANESE manufacturers of car accessories are to mount a European sales campaign in an attempt to make up for the decline in their domestic orders. Page 6

Leyland faces pay strike

● LEYLAND CARS faces strike action to-day by 20,000 manual workers at its Longbridge plant in protest at the company's alleged refusal to negotiate their 47 per cent wage claim. Back Page

● BRITAIN'S bus and coach operators are demanding compensation of about £80m a year for losses they expect to incur as a result of EEC rules for commercial vehicle drivers' hours which are likely to be introduced next year. Page 9

● GENERAL Council of British Shipping figures show that U.K. merchant shipping companies contributed a record £1,014bn, to the balance of payments last year. Total gross earnings for 1976 were £2.47bn. Page 9

● DISPUTE over cargo handling payments has halted work at two of London's enclosed docks. The trouble is over handling abnormal cargoes and involves about 5,000 workers, mainly members of the National Amalgamated Stevedores and Dockers Union. Page 10

● TAX workers have protested to the Chancellor of the Exchequer about the amount of extra overtime they are being asked to work because of tax changes put forward in the *Budget*. Page 10

● REED International has sold its one-third stake in the Kleenex Tissue business in the U.K. to Kimberly-Clark of the U.S. for £7m.

CHIEF PRICE CHANGES YESTERDAY

RISES

Treasury 9½pc 1981	£99¾	+ ⅜
Brunswest Group	258	+ 8
Anglo Welsh Invest.	60	+ 5
Beecham	595	+ 11
Cowan De Groot	44	+ 3
Eastern Produce	72	+ 7
Enfield Secs.	192	+ 7
Hay's Wharf	138	+ 11
House of Fraser	133	+ 5
Joseph (Leopold)	82	+ 8
Letraset	93	+ 6
Sun Alliance	515	+ 7
Trust Inv.	74	+ 9½
Thorn Elect. A	372	+ 8
United Scientific	226	+ 7
Vinten Group	88	+ 6
Viking Oil	280	+ 22
De Beers Dfd.	269½	+ 5½
Malayan Tin	340	+ 5
Sungei Besi	110	+ 10
Tronoh	165	+ 8

FALLS

Assocd. P. Cement	219	− 5
Furness Withy	304	− 4
Lucas Inds.	301	− 9
Philips' Lamps	795	− 15
Primrose	53	− 7
Peko-Wallsend	435	− 15

Ford may choose Britain for large engine plant site

BY STUART ALEXANDER

Ford is to build an engine plant in Europe. A recommendation on the site is in final stages of preparation for the Ford main Board at Dearborn, U.S. Britain and West Germany are thought to be the front-runners.

The plant would be capable of producing 200,000 units a year, involve an investment of about £85m., and create about 2,000 jobs. A decision on the project and site is expected within a month, though it may come earlier.

The company has 41 factories in 11 countries in Western Europe, all of which have been involved at some stage in the decision-making process. Both a new factory and the expansion of an existing plant have been considered.

But the decision rests with the U.S. parent company, and the fierce struggle between European Governments, though near an end, has not been resolved.

The continuing high unemployment throughout Western Europe means that winning of the new factory will be seen as a major prize and morale-booster.

The U.K., West Germany, France, Belgium and Spain have made strong cases for attracting the Ford investment with talks held at Ministerial level in all.

The Department of Industry refused to comment yesterday, apart from saying that it was in frequent contact with major international companies about investment in this country. It is thought that top-level contacts are still being made and that any statement now might jeopardise the outcome.

All the Governments have emphasised the incentives available. In the U.K. there are regional development grants of up to 22 per cent. in the special development areas and 20 per cent. in development areas, for cost of plant, machinery and buildings.

Dagenham is already the home of Ford's biggest European engine plant, but there is little room to expand there. Instead the company could look to Halewood, or a new site.

1980s sales push

Ford needs the expansion in engine capacity to cope with projected sales in the early 1980s, when it hopes to push European production up to about 1.7m. vehicles a year.

The recent completion of the Fiesta plant in Valencia has given Ford the capacity it needs until 1980, but from then on more will be needed.

It can increase output of components and on assembly lines at existing plants, but engines, particularly in the medium family car range, need major new investment.

In the U.K. Ford has recently run up a backlog of orders in the region of 80,000 cars following a series of industrial disputes. Export orders have been severely hit, but the company still hopes to establish itself as overall market leader in Britain this year.

In West Berlin Herr Dietrich Stobbe, the Mayor, said yesterday that President Carter had assured him that he would support the city's efforts to become the site of the engine plant. Herr Stobbe has just returned from Washington, where he had talks with Mr. Carter about West Berlin's economy, writes Leslie Colitt.

Ford has held talks in the last three months with German officials on sites in the Saarland, where Ford has a Fiesta and Escort plant at Saarlouis and in Berlin.

In November the U.S. Treasury Secretary, Mr. Michael Blumenthal, visits Berlin for talks on increased U.S. investment. The West Berlin economics chief, Herr Wolfgang Lueder, will hold talks in the U.S. with industrialists.

In the U.K., however, it is felt that West Berlin is not a major contender. That city has been losing manufacturing jobs and mounting a vigorous publicity campaign to recoup some of the 72,000 jobs it has lost since 1970.

Even in Germany it is privately admitted that Mr. Carter is unlikely to have much influence over the Ford decision, which has been the subject of intense debate within the company.

Lucas toolroom strikers reject new offer

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

A MEETING of 1,300 Lucas toolroom workers voted by an overwhelming majority in Birmingham yesterday to reject an improved pay offer from management and continue their eight-week strike.

Settlement of the dispute, which threatens progressively to cripple production by Britain's motor industry, looks increasingly remote. Output of electrical components by the company's 14 Midlands factories has almost been brought to a standstill.

Emerging from the mass gathering, which cheered the decision to prolong the dispute, Mr Mike Towey, chairman of the toolroom group, said it had shown the company that "we mean business."

Unless the company came forward with an improved offer the strike committee would consider next Wednesday ways of blacking alternative component supplies to the motor industry.

The repercussions of the current dispute could be as damaging as that of the Leyland toolroom workers earlier this year. Whereas Leyland's workers constituted a breakaway body, Lucas's form a recognised negotiating unit which has the official backing of the Amalgamated Union of Engineering Workers for its action.

Lucas management, which for the first six weeks of the dispute took a hard line to the toolroom workers' claims for improved bonus payments, has shifted ground markedly over the past 14 days.

From refusing to put any cash on the table, Lucas moved to a £1.49 a week increase. The latest offer is double that, plus a £100 cash award as compensation for earnings lost before the dispute.

Whether such a package would receive approval by the Department of Employment under the current pay guidelines is uncertain. It is not far short of the men's demand for a £5-a-week increase.

Productive

The mood of the tool workers has become increasingly militant as the strike has continued. Before the walk-out the £1.49p-a-week offer might have been enough to avert trouble, but yesterday they were demanding £5 as the minimum advance toward their aim of "a substantial increase."

They maintain that manning levels have been reduced and output raised and that their earnings have not reflected the improved productivity. But more than money is at stake in the increasingly bitter dispute.

Mr Ron Morris, the tool group secretary, declared that the vote reflected "the mounting frustration of a group of skilled workers who feel their status *and importance has been ignored* by a company which can well afford to meet their demands."

Any concession Lucas made to the tool workers could bring an avalanche of claims from other groups of skilled workers. Moreover, the toolroom traditionally sets the pace in the annual wage rounds, and some 60,000 employees throughout the group have still to enter negotiations on the Phase Two award scheduled to have been introduced at the beginning of last month.

It is difficult at this stage to see what concessions Lucas can afford to make.

Mr. Terry Duffey, the AUEW national executive member for the Midlands, said last night that he had emphasised to the workforce that management had made its final offer. But the toolroom workers were convinced the company could afford more.

Leyland Cars has confined lay-offs to 3,800 largely because of high stock levels and bringing in components from abroad, but it is only a question of time before the effects of the Lucas dispute spread.

Both Chrysler and Vauxhall are looking for supplies elsewhere and are confident production will not be affected at least until the end of next week. The position at Ford is less acute.

● About 1,000 white collar workers at Ford's Halewood factory yesterday took part in a one-day strike for better pen*sions. The stoppage was part* of national action involving all Ford factories.

Ford said there would be some reduction in Halewood output.

Holiday companies will try to fly full programmes

BY DAVID CHURCHILL AND ARTHUR SANDLES

TOUR OPERATORS will try to fly their full holiday programmes this week-end in spite of the threatened strike from midnight to-night by 850 air traffic control assistants. But they *expect substantial delays* on most flights.

While other travellers continued yesterday their rush to make cross-Channel ferry bookings, hopes of a last-minute peace settlement in the dispute were being raised by Mr. Len Murray, TUC general secretary.

Mr. Murray said after he had reported on the dispute to a meeting of the TUC general council that he hoped a peaceful solution might be found. "I shall give any help I can to resolve this difficult situation."

Earlier, he was believed to have spoken to Department of Employment officials and leaders of the Civil and Public Services Association, the assistants' union.

The Institution of Professional Civil Servants, the air traffic controllers union, sent a circular to all its members instructing them to work normally and not to carry out the assistants' duties.

With scheduled airlines likely to offer a 50 per cent. scheduled service and charters subject to considerable hold-ups, the overall view from the tour holiday industry seems to be that delays of up to ten hours are possible on Saturday and Sunday.

Some incoming tourist flights have been carrying lighter loads than might have been expected because of publicity abroad about conditions at Britain's airports and possible return-trip problems.

The British Tourist Authority has set up an emergency find-a-bed service in London for the week-end.

There have been a series of meetings this week between the Civil Aviation Authority and the airlines concerned with package tourism. As a result of the meetings and of talks between airlines and operators, there is general agreement that less chaos would result from proceeding with *programmes than by* attempting to make alternative arrangements.

Like the passengers, the operators are hoping that the fact will not be as dreadful as the fear. Meanwhile, a legal wrangle has broken out over booking conditions.

The *Association of British* Travel Agents took legal advice after Mr. David Tench, the Consumers' Association lawyer, suggested that a delay of 24 hours on a one-week holiday constituted sufficient grounds for a customer to cancel and claim his money back — whatever the booking conditions said — on the basis of a "fundamental breach of contract."

The agents' association has told members that the 24-hour theory was only an opinion and not a legal break point for holiday delays.

Cosmos Tours said last night that it completely rejected the "fundamental breach" view because it was at all times ready to fulfill its contract, but was being prevented from doing so by others.

However, it would probably make ex gratia refunds in the case of serious delays.

Test for operators, Page 9

Move by bank to hold MLR steady

By Peter Riddell, Economics Correspondent

THE BANK of England gave a clear signal yesterday that for the second week running it wants to keep Minimum Lending Rate unchanged. This follows the two half-point cuts which bought MLR down to 7 per cent. earlier this month.

The signal to the money market—via loans to seven or eight discount houses at MLR—was not strictly necessary since, unlike a week ago, three-month Treasury Bill rates had not been pointing towards a cut after to-morrow's weekly tender.

But the authorities apparently felt that it was desirable to give a clear signal now, and anyway policy is being decided on a week-to-week basis.

The current desire for stability in short-term interest rates reflects a more general official caution, also manifested in exchange rate policy, in view of uncertainty about the level of pay increases.

While there is an apparent contradiction between the desire to maintain stability in both exchange and interest rates at the same time, the pressures on the authorities to act have eased in the last 10 days since the size of the inflows of foreign currency have been smaller than earlier this month.

There was speculation yesterday that the pound might be allowed to float higher when sterling rose by about 14 points in the morning against the dollar, which faced renewed pressure ahead of to-day's U.S. trade figures.

There has been no change, however, in the official policy of maintaining stability and linking the pound more to the trade-weighted index than the dollar rate. Sterling ended 0.1 lower at 61.9 against the weighted index while gaining seven points against the dollar to close at $1.7408.

The generally calmer condi*tions in all financial markets* in the last few days are likely to be highlighted this morning when lists open for two new gilt-edged stocks—£800m. of 9¼ per cent. Treasury 1983, and £600m. of 3 per cent. Exchequer 1983.

Following the fall in gilt-edged prices since the terms were announced last Friday, demand for both stocks is expected to be much lower than for other recent issues.

£ in New York

—	August 23	Previous
Spot	$1.7392-7412	$1.7393-74.5
1 month	0.17-0.09 dis	0.18-0.15 dis
3 months	0.46-0.41 dis	0.54-0.49 dis
12 months	2.70-2.60 dis	2.95-2.85 dis

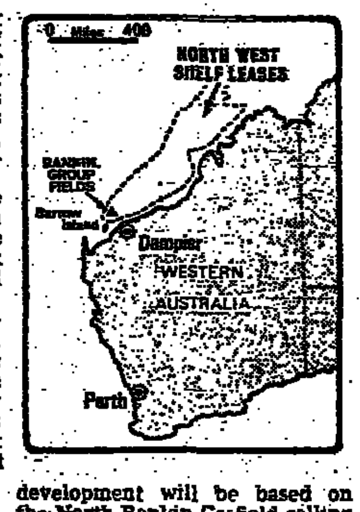
Go-ahead for Australia sea gas probes

BY OUR FOREIGN STAFF

THE AUSTRALIAN Government has agreed to a series of measures to clear the way for *development of the North-West* Shelf natural gas fields. It is the biggest natural resources project in Australian history, involving an estimated expenditure of A$3bn. (£1.9bn.).

With a one-sixth share in the project, British Petroleum can be expected to contribute more than £322m. to the development if it is given the final go-ahead next year.

The North-West Shelf consortium, BP 16⅔ per cent.; Shell 19 per cent.; California Asiatic 16⅔ per cent.; and Woodside Burmah Oil (controlled by Broken Hill Proprietary), has been given approval to export up to 6.5m. tonnes of liquefied natural gas over 20 years.



Reactivated

THe project was shelved during the three-year Labour Government from 1972, but reactivated 15 months ago. All this year it has been caught up in negotiations which hinged finally on tax concessions.

In the next phase, expected to be given the go-ahead within six weeks it is planned to spend $A50m. on an 18- to 21-month detailed engineering and marketing feasibility study.

If this is favourable it will be followed by a construction and appraisal phase, involving expenditure of $A200m. on drilling alone, and an overall expenditure of at least $A3bn. to have gas ashore by 1984.

BP Australia's £322m. share of the development expenditure would compare with a commitment to the recently completed Trans-Alaska pipeline of £858m. and to North Sea development and exploration costs of more than £1bn. (The Forties development programme totalled £850m.).

Initially the North-West Shelf development will be based on the North Rankin Gasfield calling for two production platforms, a pipeline ashore, *onshore* treatment and liquefied natural gas plants near the port of Dampier, a fleet of tankers for the gas and an onshore pipeline to carry gas 850 miles to Perth.

Early talks

The arrangements announced yesterday by Mr. Douglas Anthony, Deputy Prime Minister and Minister for National Resources, are expected to lead to early negotiations by the consortium of long-term sales contracts for the sale of liquefied natural gas to consumers in Japan and on the U.S. West Coast.

A crucial feature of the announcement is that the consortium will be allowed to export up to 35 per cent. of currently estimated reserves in the three gasfields on the Shelf, North Rankin, Goodwin and Angel.

Export sales of this order were regarded as essential by the consortium to provide the necessary

Continued on Back Page

FEATURES

For latest Share Index 'phone 01-246 8026

LOMBARD

Insular approach to education

BY MAX WILKINSON

ONE striking aspect of Mrs. Williams's Green Paper on education, not so far discussed, is its insularity. Possibly this is because the British are an inward-looking people especially when thinking about their own institutions.

Or it may be that the Department of Education believes educational traditions are so different on the other side of the Channel that they can have little practical bearing on the debate about the future of schooling in this country, where the constraints on action are much stronger.

In spite of the belief shared by Mr. Callaghan and a number of senior civil servants that *Something Must Be Done*, the recent Green Paper has merely flirted with tough ideas like sacking inefficient teachers, laying down national standards and imposing a common curriculum. The main impression it leaves after a series of "buts" and "howevers" is that things are not on the whole all that bad.

Inevitable

Perhaps such a result was inevitable given the traditional assumption of the Department of Education that the service is and must remain a "partnership" between central government, local authorities and teachers.

While this partnership persists, no government has much scope for changing the system without provoking a major political row with the teachers' unions and perhaps also with some local authorities. It is unsurprising, therefore, that Mrs Shirley Williams has had to let "I dare not" wait upon "I would," and under the banner of fairness, play down the inefficiency of a disturbingly large minority of schools.

It is well worth considering, therefore how the organisation and effectiveness of our schools stands up to European comparison.

The first point is that the British notion of partnership would be regarded with the utmost scepticism abroad. It would be seen more realistically as a division of responsibility which has allowed teachers to do their own thing to an extent which is not tolerated elsewhere. The abolition of the 11-plus and the move towards internally assessed national examinations has, moreover, increased the already substantial power of teachers in the U.K.

In all European countries by contrast, there is a common assumption that the goals of public education must be decided and imposed by the public authorities.

The British devolution of responsibility to heads and even to class teachers was accepted and praised in the 1960s because everyone assumed that standards were getting better and better. But now there is substantial evidence from research and from the complaints of industrialists that standards are, if not declining, certainly much lower than they should be.

The Green Paper says blandly that more and more children are taking public examinations. But if one compares A level successes with the number of teenagers reaching university entrance standard in France and Germany, the performance of U.K. schools looks far from reassuring.

In a book called "Lessons from Europe" published this week (Centre for Policy Studies £2.95), I have collected figures which show that the number of French children obtaining university entrance is about twice as many as in the U.K. While A level passes are stagnating, the number passing the German Abitur exam is rapidly increasing. From a position of rough equality at the turn of the decade, German sixth form results are now numerically much superior to those of this country.

Comparison of standards across national boundaries is notoriously difficult, but the disparity in this case is so great that it should provoke very much more careful thought in the U.K. than it is getting.

Caution

Another comparison which stands out is the very much greater attention to measured standards of primary school attainment in almost all parts of the Continent. European educationists may have admired our open progressive methods, but on the whole they have been extremely cautious about adopting them.

The caution which Continental schools, particularly those in Germany, have shown in embracing the rapid changes in educational theory is directly related to tighter administrative control and greater emphasis on public accountability.

For many years, British teachers and officials believed Continental practice, particularly in primary schools, was badly lagging behind the "progress" made in Britain. While there have of course been great achievements in some English schools, it is now beginning to look as if the comparisons are much more to our disadvantage than used to be thought.

Perhaps the most salutary effect of comparing ourselves more seriously with Europe would be the realisation that many of the changes towards which Mrs. Williams is tentatively and tortuously moving, would be regarded elsewhere as the most obvious common sense.

"Lessons from Europe," published by Centre for Policy Studies, £2.95

THE WEEK IN THE COURTS

The cost of avoiding tax

BY JUSTINIAN

A CYNIC once remarked that most taxes turn out to be voluntary. If one is really determined to avoid paying tax, then—at an unavoidable cost, varying in amount according to whether one takes proper professional advice or "goes non-resident"—avoid it one can. The twin tax appeals of *Chinn (Anthony) v. Collins* and *Chinn (Steven) v. Hochstrasser** decided by Mr. Justice Templeman in the Chancery Division of the High Court last week, demonstrate neatly how comparatively trivial the cost actually is—in those cases the cost of ensuring that the beneficiaries of settlements need not suffer capital gains tax on the occasion when their interests become vested.

Two notes of warning need to be sounded. First, that although the particular loophole has been well-known to practitioners for some time it would be straining optimism to think that it can much longer escape the attentions of the legislature and remain unplugged. Second, that when availing oneself of the loophole, one must take great care not to cut any corners. That second warning was not heeded by the Chinn brothers, as their case shows.

Advice

In 1960 a benevolent father settled property on his two sons and their families. By 1969 that property included 369,000 shares in Lex Garages. But if either son became absolutely entitled to these shares, without any complications, he was going to suffer a great deal of capital gains tax.

This disagreeable prospect prompted the father to take professional advice. The result was the following scheme:

● A friendly foreign company and two of its directors were found to replace all but one of the English trustees of the settlement, and the general administration of the trusts was transferred to Guernsey. As non-residents are not liable to pay capital gains tax, this meant that when the two sons' interests became vested no tax could be exacted *from the trustees*. There remained, however, the provisions of Section 42 of the Finance Act 1965, under which what would (but for their non-residence) be a capital gain accruing to trustees is apportionable between U.K. residents having interests in the settled property, according to the value of those interests. So, in order to prevent apportionment of gain to the two brothers, some further steps had to be taken:

● Advantage was sought to be taken from a paragraph in the 7th schedule to the 1965 Act, which provides that "no chargeable gain shall accrue on the disposal of an interest ... under a settlement by the person for whose benefit the interest was created"—and the brothers Chinn clearly qualified—"or by any other persons except one who (broadly speaking) bought it for money or money's worth." Thus, if one has a contingent interest and sells it to an investor, no capital gains tax is chargeable. Of course, by selling to an investor one gets less, because he knows that when the interest vests and he becomes absolutely entitled to the underlying assets, *he* will have to pay capital gains tax. In practical terms nothing was easier for the Chinn family. To each brother was appointed an interest in half the 369,000 Lex Garages shares, contingent on each surviving the next three days after the appointment. The next stage was that:

● Each brother sold his contingent interest to a purchaser, but (and this is where the gimmick came in)

● that purchaser did not pay substantially less for the two interests he bought, for the simple reason that he, too, was a non-resident company, carefully groomed for the task by the organisers of the scheme, and, of course, immune from any apportionment under Section 42.

Handsome fees

The wide-eyed onlooker might be tempted to exclaim how easy it all appears. Why does not everybody do it? The answer seems to be that it is those who have ready access to the best professional advice and who can afford handsome fees in fact do it in order to save their beneficiaries the ravages of capital gains tax. As Mr. Justice Templeman commented in the course of his judgment, the Inland Revenue conceded that the scheme achieved its object down to the end of the last stage.

Had the brothers Chinn stopped at the end of the last stage, the Inland Revenue would have had no shadow of a case to support assessments in either barter for capital gains tax. Unfortunately for the brothers Chinn, they over-reached themselves and attempted a short cut that proved their undoing.

Immediately after selling his half-interest of 184,500 shares to the friendly foreign purchaser for two large cheques (dated three days later), each contracted to buy *from that same foreigner* 184,500 Lex shares for that same sum *plus* what was found to be tantamount to the foreigner's "commission plus expenses" of £2,457: completion to be (not unexpectedly) in three days' time. It was a fact that the foreigner was relatively impecunious, and Mr. Justice Templeman had no hesitation in concluding that everybody intended those same shares, and no others, to come straight back from the foreigner to the two brothers, as soon as the foreigner's purchased interests became vested, at the expiry of the contingency period of three days.

Inter-dependent

What difference did this last embellishment make? Counsel for the brothers claimed it made none. Their assignment to the foreigner, and the foreigner's contract to sell shares, were indpendent. The latter could easily have been satisfied by a purchase of other Lex shares on the stock exchange. The Lex shares in the settlement could indeed have been lawfully sold by the trustees during the three days, in which case the foreigner would have *had* to buy elsewhere, or pay damages for breach of contract. But the judge would have none of this: in his judgment, the two transactions were inter-dependent: neither side could enter into one and not the other.

It followed, therefore, that at the crucial moment of the expiry of the three days' contingency period, and by virtue of the assignments *and* the contracts of repurchase, taken together, each brother was—while the foreigner was not—absolutely entitled as against the foreign trustees to the 184,500 Lex shares which had three days previously been appointed to him. So each brother became liable to capital gains tax on his own parcel of shares, under the apportionment provisions of Section 42 of the Act.

The moral is obvious. While this loophole survives, don't take any penny-pinching short-cuts: find a *wealthy* foreigner who will buy your (3-day or whatever) contingent interest *for cash*, full stop.

* *Times Law Report, July 21.*

SPORT

Geoff Boycott recalled from self-imposed exile

THE SELECTORS, appreciating the vulnerability of Dennis Amiss against Thomson and Pascoe, have decided to break up the England 11 which won so convincingly at Old Trafford by recalling Geoff Boycott from his self-imposed exile from the international scene for the Third Test, starting at Trent Bridge on Thursday.

There can be no disguising that Amiss looks very suspect and uncomfortable against excessive pace these days. In the circumstances, one cannot help wondering whether he has been wise to sign up for the Packer circus this winter. As opening bat for the Rest of the World he will be confronted with a great deal of speed from both the Australians and the West Indians, possibly on pitches that are a little suspect.

I expected the selectors to wait until Headingley, but Boycott's return should strengthen the batting line-up as he is still one of the most accomplished players in the game—even though he has been far too often by quick bowlers.

Whether Boycott should have been forgiven for rejecting England's call when they were in serious trouble will remain a subject for argument for a very long time.

With Old unavailable because of injury, the selectors have summoned Hendrick, who is a high-quality fast medium bowler. They have replaced Barlow, who was picked at Lord's and was 12th man in the last Test but has not been scoring many runs for Middlesex, with Graham Roope, who has been having a fine summer with the bat.

Their most surprising decision was to leave out John Lever. He can consider himself rather unlucky, as he captured three wickets in the first innings at Old Trafford and was given only four overs in the second. It must be admitted, however, that Lever's bowling was not so impressive at Lord's.

His bad luck means that Ian Botham, who has been enjoying great success for Somerset with bat and ball, is included in the 12. Botham, who is Tony Greig's natural successor, is an exciting cricketer and the best English-born all-rounder on the county circuit.

Although the England team could be overladen with right-arm seamers—Willis, Hendrick, Botham, Greig and Woolmer—they should be strong enough to hold the Australians.

I think Miller, who has been picking up so many wickets recently, will play and that Botham will be the 12th man.

Gloucestershire, somewhat against the odds, have carried off the Benson and Hedges Cup, but the three remaining competitions for the first-class counties—the Schweppes County Championship, the John Player League and the Gillette Cup—are all intriguingly open. This illustrates yet again the very small gap in ability which divides the clubs.

The most important is the County Championship. It is also the most difficult to win, because the successful side needs balance and consistency over a long period and in varying conditions. The holders, Middlesex, are still in the lead. But the … closely pursued, wit… as 13 out of a field … in with a chance.

It would come as … if the greatest thre… retaining the title sl… to be Northants, now seventh with Yorksh… Somerset could pro… most improved coun… return of their bri… India, Vivian Richar… considerable advanc… Botham.

Kent are unlikely … pace, but Sussex, … Khan is available, a… a determined late ru… shire, who have exp… expertise, should fin… front.

THE TEAM: Bre… cott, Woolmer, Ba… Botham, Knott, … Willis, Miller, … Roope.

CRICKET

BY TREVOR BAILEY

MP critic… sport spo…

MR. ROY HUGHES … for Newport, Gwent … to Mr. Roy Hatte… Secretary, urging a… of the law relating … right aspects of sp… ship.

Mr. Hughes … criticism of metho… by "certain manu… sports equipment … attempts to mor… market."

He urges Mr. … protect the interes… firms—and protect … from economically … prices which could … flames of inflation."

Lions pack masterful: Irvin… puts knife edge on attack

Masterful forwards, excelling in all phases, over-ran top-rated Auckland and so the British Lions won 34-15 despite muffing a few chances and missing kicks. Not until the last seconds did winger Bryan Williams, making a powerful midfield burst, score Auckland's only try.

The tourists had scored five in playing their finest game of their New Zealand tour. It was power rugby, with the forwards completely outclassing their opponents.

Price quickly tamed the Auckland front row, which buckled under pressure. The Lions scrummaging was magnificent, and they won the line-outs by 20 to nine. Even All-Black star Andy Haden could not break the dominance.

Often mauls set up with Auckland in possession saw the Lions wrench the ball away to set their backs in motion. They more than held their own in the rucks, and excelled both in tight and loose.

Always ready to join in attacks, they started moves and were there to lend support to orthodox raids.

English captain Tony Neary had a tremendous day. But so did the other seven forwards. Duggan and Quinnell chased the ball and supported Cobner, backed by Billy Beaumont and Gordon Brown, they rampaged over the field.

The backs capitalised on the brilliance of Andy Irvine. He gave a superlative display. His speed, anticipation and ability to sense an opening before it appeared gave a knife-edged finish to the attack.

Irvine scored two tries, set Williams up for another and figured in the fourth. In defence he was rock steady.

This was without doubt Lions' best performance of the tour, and Irvine was the star performer. His tries were a delight to watch. For the first, in a Lions counter-attack, Bennett dummied, passed to J. J. Williams and the ball went on to Irvine, racing up the line to touch down.

Irvine's second try showed the magic of the man. Lions ran the ball … Irvine came into the back … of the field, drew … passed on to J. J. Williams, then stayed with him to take a reverse pass when Williams was brought down. Irvine was tackled and a ruck was set up. From it possession was won and the ball was swung swiftly to Irvine, who cut through a gap to score.

At half-back Morgan took some time to establish understanding with Bennett. Some of Morgan's passes in the first 20 minutes were slow, which robbed wingers J. J. Williams and Evans of vital seconds. However, as the game developed Morgan, given extra confidence by the mighty performance of his forwards, settled down to provide a service markedly improved. He did some good kicking of the four penal… ties and one conve… later stages his aim … be missed convers…

Bennett seemed … of the time to … sharply along the b… appeared anxious … of the wings and … porting thrusts. … ran directly across … straight to J. J. W… nett scored Lions' f… he darted through … line.

In an exciting … game the Lions' … again impressive, … showed his tactical … many well-placed … box, put in some … ing. Indeed, al… tackling was agai…

When Auckland … through, Morgan, … Fenwick used wel… kicks to get the … trouble. And they … to run the ball e… hind their own go…

Bennett did t… occasion to set u… back movement. O… side-stepped and … for touch rather … down.

It was well-earne… the pack when th… push-over try. … touch down went t… The power of th… ing machine and … determination, sug… the Lions' prospect… international at … Saturday.

Auckland's point… two penalties by … Bryan Williams, a… Williams converted

RUGBY

BY DAI HAYWARD

Minstrel calls the tune

EUROPE'S top middle distance performer, The Minstrel, not only took his winnings to a staggering £317,316 after winning the King and Queen Elizabeth Diamond Stakes on Saturday. He also earned the tribute from Lester Piggott as "one of the best I've ever ridden."

Although Piggott's handling of The Minstrel was acclaimed by almost all after the world's most sought-after jockey had brought the Irish colt home a whisker from Orange Bay, I felt that he had almost lost the race through under-estimating the second.

For after making steady headway to take fourth place behind Lucky Wednesday, Mart Lane and Orange Bay inside the home straight, Piggott seemed to be caught by surprise as Eddery shot Orange Bay into a clear lead 2½ furlongs from home.

It needed all Piggott's strength and seemingly bottomless courage to get The Minstrel to make up the four lengths in the final quarter-mile.

A neck to the good 100 yards from home, The Minstrel then showed what a tremendous amount the gruelling pursuit had taken out of him, faltering a few strides from the post to almost relinquish his advantage.

Mr. Robert Sangster's remarkable 3-year-old, for whom the Vernons Pools boss and his partners turned down a £10m. bid from Canada's Mr. Eddie Taylor last week, will now enjoy a well-deserved rest before being aimed for the Prix de L'Arc de Triomphe. William Hill and the tote have him at 6-1 for the £100,000 French prize, while Ladbrokes offer 5-1.

Provided that he comes through that test to his connection's satisfaction, The Minstrel will almost certainly bow out in Maryland's Washington International, a race the … in successive years … and Karabas.

O'Brien and Pig… again at Goodwoo… with Artaius, wh… classic winners in … Mrs. McArdy and …

RACING

BY DOMINIC WIGAN

NEWCAS…
2.30—His Lord…
3.00—Mydel Fl…
3.30—Andy Re…
4.00—Green M…
4.30—Flying Er…
5.00—Flash Fr…
WINDSO…
7.50—Parmesh*
8.50—King Kap…

addition to German… krunick, in what pr… a memorable Susse… Turning to to-day… Rew is just prefer… Par in Newcastle's f… the Harry Peacoc… Cup, while at Windso… meeting Parmesh … spring a surprise fri… Stakes.

Driving to Shingler's advan…

TERRY SHINGLER has become, in my view, one of the most unlikeliest winners of the English Amateur Championships. He is 41, five foot six inches and he started the week at Walton Heath at around 14 stone.

After 146 holes in hot, often humid weather he ended it rather less than 14 stone.

Shingler beat his friend and fellow Midlander John Mayell (Copt Heath) by four and three and so earns a place in the England team for the Home Internationals at Hillside on September 14-16. The other members are: P. McEvoy, S. Lyle, J. Davies, P. Hedges, M. Kelley, P. Deeble, G. Godwin, P. Downes, P. Garner, M. Inglis.

Shingler has become the oldest winner of the title, but completely deserving of the honour. Walton Heath was hard and bouncy and Shingler probably hit more fairways than anyone else.

His genial, unflappable temperament served him well at moments of crisis in matches against his Blackwell club mate and former finalist David Kelley, and the seeded Michael Kelley in the semi-final.

He beat Mayell, who had disposed of John Powell, Geoff Godwin and Mike Hughesdon, … all highly regarded golfers. If the golf in the s… was a little scrappy… to remember if … player had some … played with so much…

Both men played … morning round, wit… over the par of 72. … and the match… But Shingler, s… poor opening holes … noon, was the first … he could play under … of leading, and … of some poor drivi… to win five holes … from the second, to … after eight.

Mayell's last chan… ably the 9th, where, … a superb second, to … saw Shingler hole … for a birdie and … could only halve th…

GOLF

BY ROGER PAUL

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 a.m. Open University (UHF only). 9.40 The Wombles. 9.50 Jackanory. 10.05 John Burningham's Around the World in 80 Days, part 1. 10.10 Inch High Private Eye (cartoon). 10.30 The Record Breakers. 1.15 p.m. News. 1.30 Fingerbobs. 4.18 Regional News for England (except London). 4.20 Play School (as BBC-2 11.00 a.m.). 4.45 Lippy Lion and his Friends. 5.05 Go With Noakes. 5.35 Magic Roundabout.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
7.00 Holiday Report.
7.10 The Mackinnons.
8.00 Happy Ever After.
8.30 Robbie.
9.00 News.
9.25 The Monday Film: "Two for the Road," starring Audrey Hepburn and Albert Finney.
11.15 How Wars Begin.
11.45 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Wales—1.30-1.45 p.m. Pili Pala. 5.55-6.20 Wales To-day. 7.10 Heddiw. 7.40-8.30 The Mackinnons. 11.45 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 11.45 News and Weather for Scotland.

Northern Ireland—4.18-4.20 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.45 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
11.00 Play School.
4.55-5.20 and 5.45-7.00 p.m. Open University.
7.00 News on 2 Headlines with sub-titles.
7.05 Picture Making.
7.30 News on 2.
7.45 Grapevine.
8.15 The Two Ronnies.
9.00 The Philpott File.
9.50 The Forties Revisited with René Cutforth.
10.40 The Camera and the Song.
11.05 Late News on 2.
11.15-11.20 Closedown: Peter Jeffrey reads "Called For" by Anthony Thwaite.

LONDON

9.30 a.m. Summer School. 10.15 Certain Women. 11.05 Dusty's Trail. 11.30 Time To Remember. 11.55 The Woozles. 12.00 Mice and Mendelson. 12.10 p.m. Stepping Stones. 12.30 Musical Triangles. 1.00 News plus FT index. 1.20 Meet Betty Boop. 1.30 Untamed World. 2.00 Good Afternoon—A Summer Selection. 2.25 Six Days of Justice. 3.20 The Squirrels. 3.50 Emmerdale Farm. 4.20 Clapperboard. 4.45 Adventures in Rainbow Country. 5.15 Batman.
5.45 News.
6.00 The London Quiz.
6.45 Whodunnit?
7.30 Coronation Street.
8.00 Owner Occupied.
8.30 World in Action.
9.00 The XYY Man.
10.00 News.
10.30 For Adults Only: "Doctors' Wives."
12.25 a.m. Close: Prayers for Impossible Days by Paul Geres, read by Valentine Dyall.

All IBA Regions as London except at the following times:—

ANGLIA

10.15 a.m. The White Line. 10.40 Spiderman! 11.05 Woobinda—Animal Doctor. 11.35 Weir's Way. 12.30 p.m. Farmhouse Kitchen. 1.25 Anglia News. 1.30 The Parent Game. 4.45 Shadows. 5.15 Mr. and Mrs. 6.00 About Anglia. 10.30 The [illegible]

ATV

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 2.00-2.25 Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos. HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.22-6.45 Report West.

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

(S) Stereophonic broadcast

[illegible]

RADIO 2 1,500m and VHF

[illegible]

RADIO 3 464m, Stereo & VHF

[illegible]

RADIO 4 434m, 330m, 285m and VHF

[illegible]

BBC Radio London 206m and 94.9 VHF

[illegible]

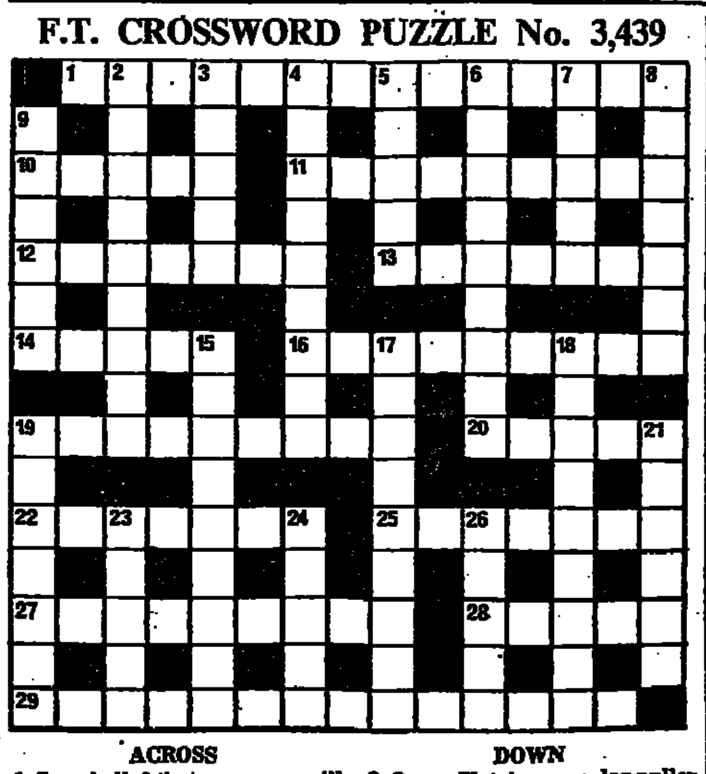
London Broadcasting 261m and 97.3 VHF

[illegible]

Capital Radio 194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,439



ACROSS

1 Sure belief that company will get adverse verdict (4, 10)
10 Royal Sovereign is a liner (5)
11 Try to understand small discrepancy in sounding (6, 3)
12 Powerful in future for instance (7)
13 Salesman rose drunkenly from sleeper (7)
14 Key girl turns weather prophet (5)
16 Plant gets plague with one left (9)
19 Make sure to eat on board and cause ill-feeling (9)
20 Fox can take a wicket (5)
22 Slow coach needs convict to drag back (7)
25 Celebrated outside church when nicked (7)
27 Disturbance taken care of by Frenchman with resolution (9)
28 Pass navy makes of deck (5)
29 Rose is a girl's name (7, 7)

DOWN

2 One will take on a leg-puller when embarrassed (3, 2, 4)
3 Imbecile finds doctor right willing (5)
4 Away with HQ that's not right in the middle (3, 6)
5 Crossman at election time (5)
6 They get a rake-off at the casino (9)
7 Decreases in clubs (5)
8 White note is to be expected (7)
9 Wandering fish beheaded (6)
15 Prison ready to make porridge (9)
17 Vibration projected on a screen somehow (9)
18 Score at Twickenham and land at Heathrow (5, 4)
19 Odds on student getting frozen when married (7)
21 Formalist made to breathe hard round newsman (6)
23 Huckler sportsman? (5)
24 Shop whose products are neatly produced (5)
26 Mark left behind of course (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

هكذا من الأصل

From Savonlinna

The Magic Flute

by MAX LOPPERT

...t. Finnish singer ... Savonlinna Opera ... other revived it, and ...inues the tradition. ...was Aino Ackté, ...oprano (she was ...st Salome, in 1910), ...musician (Sibelius ...uonotar to her), ...ramatist (she wrote ...) for Merikanto's ...), and passionate ... a Finnish national ...was instrumental in ...g of the Helsinki ...911. A year later ...ted the first season ...opera in the open ...f St. Olaf's Olavin- ...magnificent fortress ...1475 and perched ...small island in the ...ces surrounding the ... Finnish inland ...resort town.

...ars of financial ...d dependence on ...l pocket, the 1930 ...ved to be her last. ...ise then lapsed for ...until in 1967, with ...was resuscitated by ...uncil. It seemed in ...foundering a second ...in 1972 Martti ...summer resident of ...vo district, took on ...directorship. With ...erding's production ...g year of Taikahuilu ...Flute—all Savon- ...as are given in ...ilvela's reign began, ...the inspiration of his ...rce as performer, ...nthusiast and vison- ...eeding years have ...oductions of Boris ...74), and two Finnish ...Horseman (created ...na in 1975) of Aulis ...d The Last Tempta- ...given at Helsinki in ...to the festival this ...onas Kokkonen. The ...tory consisted of ...linen and Kokkonen; ...ro operas, in perform- ...plendid quality, and ...works of consider- ...must have a second ...hemselves.

...er will spared rap- ...Finland itself, that ...racious, romantic ...ity and finely worked ...islands and trees— ...are too familiar, and ...astern province finds ...uriant profusion. To ...e foreign visitor to ...festival, the surprise, ...esult it may be thus ...was the excellence of ...eratic performance, ...re combined dedica- ...happiest virtues of ...tyle, and clear, well- ...usical execution.

...obviously surprising ...for among Finnish ...know almost in this ...ry its basses, Talvela, ...and more recently ...inen at Covent Gar- ...the uniformly high ...singing. Throughout ...ings hardly a wobble ...hardly an insecurely ...or sustained note, ...ungrateful emission. ...For a small country ...a single permanent ...Finland is bursting ...singers, the overflow ...ational Opera at Hel- ...employed in Ger- ...lictably, there was a ...giant basses: in ...Talvela, and even ...minen (this year at ...at least two others ...ly for futures inter- ...nown. But purely ...rano tone, in lead- ...much as in the quite ...100-strong amateur ...continual pleasure. ...importation was ...American Julie ...he Queen of Night; ...every department ...stocked:

...important and strik- ...vonlinna is the sum ...lities in a vision of ...opular art, one cap- ...ming the newcomers ...rm the major part ...nore-than-2,000-large ...audience, and at the ...impressing connois- ...alvela's vision, that ...istration and of the ...and soon it becomes ...visitor, who can ...Wexford as a com- ...cise in community ...against formidable ...seating on backless ...hes is a trial, cold ...ear drove away the ...beneficence of the ...ner, and the operas play against a background of chattering voices, inquisitive or querulous children, and screeching gulls. These were some of the attendant irritations that soon lost their sting even for the most irritable operagoer, simply because the sense of communication on a large scale outweighed the disadvantages.

Julie Griffith in "The Magic Flute"

In some ways *The Magic Flute*, most popular work on the roster, works least well in the imposing stone frame of Olavinlinna. Two sweeping staircases, one at each end of the panoramic stage area, afford spectacular processional entrances, which Everding pits against each other—the left "black" side is the Queen's, the right, "white", with its two mighty fortress doors, is Sarastro's. Players enter from all points on the amphitheatre compass: props roll from upper landings, push through side apertures (a properly breathing dragon did just this), peep out from the base. By such spectacle, complemented by Toni Businger's "shorthand" props for trees, temples and trial locations, is evoked the scale of events in the opera. This is simple, massive, eye-catching Mozart, and on such levels in the opera it works wonderfully well. In moments of intimacy, tenderness, pensively self-discovering solo and reconciliatory duet, size swallowed up true *Flute* profundity.

Perhaps part of the problem on this occasion was the want of majesty, in vocal and physical style, among almost all of the singers—not a case of the need for booming voices so much as for those, and for actors, of definite and precise aim in large spaces. The notable exception, Jorma Hynninen as a baritone Old Priest who radiated each utterance with quiet conviction and strong, beautiful tone carefully cut to the line, was in a way too powerful a contrast. Tamino and Pamina were Kimmo Lappalainen and Irma Urrila—he familiar in Mozart at Glyndebourne and here well below form (the chill?), she remembered from Ingmar Bergmann's *Flute* film and later blossoming out of initial shrillness into eloquence. Neither was sufficiently outgoing or romantic of manner. Talvela having temporarily forsaken Sarastro to concentrate on the leading role of the Kokkonen opera, his very young, mellifluous replacement (Jaakko Ryhänen) seriously lacked authority. Matti Lehtinen, a senior Finnish artist, made an unexaggerated Papageno, with voice in only moderate supply. Although voice of dramatic timbre, vitality, and the highest notes were impressively present in the Queen's arias, the patch below the very top tended to go out of tune.

All the same, the performance brought pleasure, and beyond that the confirmation that even an only partially achieved *Flute* is capable of delighting a new audience. And several admirable features on the musical side should not go unrecorded: the finely blended ensemble of the Ladies; a first Boy, Olli Rantaseppä, who was a real boy, as were his companions, and who threw out his voice with exultant freedom; and the excellence of the festival orchestra (a summer selection from Helsinki's best) as experienced in the rich, full, clear Olavinlinna acoustics under Jussi Jalas, the star of the evening. What a joy to find the music "spread" out unhurriedly, spaciously, gently, to hear it breathing; to feel accompaniments that unobtrusively guided and firmly supported the singing! Perhaps the pulse was a touch too temperate for the close of the suicide scene, which should quicken with Pamina's rediscovered joy. But the love, wisdom and easy flow of such passages as the march at the start of Act 2 linger in the memory. A conductor who so unassumingly taps the true late-Mozart shine is a rarity indeed.

Albert Hall

Jubilee Proms

by RONALD CRICHTON

Jubilee summer extended into the Proms with three concerts of British music in a row. Brief notes on the first two. The opening night on Saturday (BBC Symphony Orchestra, Andrew Davis) started with Britten's arrangement of the National Anthem, whose gathering fulsomeness does not stand repeated hearings. Walton's *Belshazzar's Feast*, given such a fiery, sharply pointed reading as this one (rivalling Solti's at the Festival Hall a few months ago), obstinately and triumphantly survives. Heard in a listening room quadraphonically equipped, *Belshazzar* was an exhilarating experience, though curiously unrelated to the real thing.

The *Serenade to Music* of Vaughan Williams was a tribute to Henry Wood on his Golden Jubilee: Wood's fame is mainly associated with orchestral music, but he was an indefatigable teacher of singing and coacher of choirs, and he wrote a big manual on voice productions. It was fitting to assemble 16 of the most eminent British singers of the day (1938) in this golden setting of lines from *The Merchant of Venice*, over-familiar indeed, but so freshly treated that one might think Vaughan Williams had just discovered them. Friday's singers, though already distinguished, were young. Margaret Marshall and Linda Esther Gray stirred memories of Isobel Baillie and Eva Turner in their brief solo phrases, suited to the original singers while remaining completely consistent in style.

On Saturday Sir Charles Groves conducted the Royal Liverpool Philharmonic. He is a fine interpreter of Delius, who knows that if the line is properly attended to, the colour will look after itself. Many must have been surprised and delighted by his firm articulation of *In a summer garden*, a piece by no means all roses and rapture. More line of outstanding quality in Elgar's Cello Concerto, from the soloist, Ralph Kirshbaum. The slow movement was admirable—deeply felt, totally unsentimental. Two small points: the accents in the first movement theme need more emphasis in this hall; the opening phrase of the epilogue needs greater intensity.

Edwin Roxburgh's new *Montage* for orchestra was commissioned for the occasion. The ground plan sounds interesting. Twelve cells or elements are set out, then recur in various guises throughout a three-part scheme of which the last part is a combination, or "montage" in the cinematic sense. The rotation of the elements also supplies a form of passacaglia structure, intermittently detectable, though not firmly enough to prevent a suspicion that the score as a whole needs tightening up.

Since the composer in a preliminary talk compared the work to a space-trip, it may be unfair to expect more obvious formal cohesion. Some of the prospects glimpsed on the journey, notably in the mainly quiet middle section, were pleasing. Others were more barren, thick-textured in an un-aggressive, goodnatured way. The finale did not, this time at least, bring much sense of climax. Sir Charles was unflappable, the orchestra, including the busily engaged percussion, keenly co-operative.

Christ Church, Spitalfields, E.1

Voices and brass

by MAX LOPPERT

Though the inescapable aspect (and indeed the odour) of decay and disintegration inside Christ Church might have clouded the occasion with gloom, Saturday's concert of English choral and brass music was a positive, festive affair. It marked the start of the small, very attractive 1977 Spitalfields Festival, planned around Hawksmoor's masterpiece and with the implicit aim of displaying it as an auditorium so useful and suitable for music-making that the church be never again left friendless and poverty stricken as in recent years. The Friends of Christ Church have already planned a busy schedule of future musical events: one of their most urgent tasks will be to restore to its original splendour the great 18th century organ (of whose special importance in London an article in the April Musical Times reminded us).

Whether one shares Ian Nairn's view of the church as "a living idea" or Pevsner's as "... megalomaniac ... perverse," in composition "deliberately disjointed," there could be little doubt that the interior is, despite its present condition of semi-dismantlement, a welcoming ambience for music. The 20-or-so voices of the Musica Sacra of London (a reconstituted form of the Scuola di Chiesa, disbanded last year) blossomed; the six members of the Barbican Brass Consort were lent the proper, never excessive degree of reverberance; the combinations and permutations of forces during a well-planned programme were beautifully spread and balanced. Nothing blurred. As a concert hall, Christ Church has a future.

Whether in the passionate brilliance of a Byrd group, with the carillon imitations of the motet *Laudibus in sanctis* glowing out radiantly, or the contrasting sober refinement of a Gibbons group, the choir under its conductor Jonathan Seers kept tone and ensemble always fresh and clean. In a 20th century selection after the interval, and despite passing flaccidity of pulse in its fourth and fifth numbers, Britten's *Gloriana* Choral Dances picked up and consolidated the strains of contrapuntal vigour, melodic fullheartedness, pensive repose noted earlier. Indeed, the picture composed by the sum of all these pieces, and those of Purcell and Vaughan Williams also on the bill, was one of a rich continuity in English music beyond interruption. For the church, it was a good omen.

The Entertainment Guide is on Page 25

Coliseum

Three Giselles

The Makarova/Barishnikov *Giselle* on Friday night struck me as being one of the most beautiful and most profoundly touching accounts of this ancient trap for the unwary that I have ever seen. Surmounting the rachitic production, with its awful sets and costumes, its sticky re-orchestration, and supporting performances of insufferable quaintness, the two principals established an emotional rapport that made the drama absolutely convincing. We believed in Makarova's vulnerable, delicately eager peasant girl as she gazed in adoration at Loys; we sensed from Barishnikov's first appearance that Albrecht knew the dangers of his situation, but that love made him heedless of the consequences. Thereafter the tragedy had to take its course, and in the process of the first act, we could understand exactly the psychology of the action, and the one remaining merit of this staging (which was well made by David Blair a decade ago) is that it offers an uncluttered statement of the tale in Act 1.

Makarova as Giselle

Makarova's Giselle, shyer and more easily hurt than in her recent series of performances with Nureyev, seems a beseeching glance incarnate; Barishnikov's Albrecht is more sustained in feeling than when I reported on it a year ago—the mixture of hauteur and utter sincerity culminating in his agony at Giselle's death. Superlative touches of character from both artists: Makarova's eyes lost in dreams as her hands tear at the imagined flower petals in the mad-scene; Barishnikov tossing the sword contemptuously at Hilarion's feet as the woodsman summons the hunt, and later seizing it again and finding himself unable to stab Hilarion.

Illuminating the first act, and irradiating the second, was the flawless dancing of both artists. This was the quietest *Giselle* I have ever witnessed: no matter how high the jump, the landings were cat-soft, the return to the stage muted as the body's weight was absorbed into a beautiful *plié*. Leningrad training is so far superior to that found anywhere else in the world that, taken to its highest point by artists like Makarova and Barishnikov, it can justify the performance without consideration of the dramatic excellence of the playing: it is worth any ticket money to see the classic academic dance displayed with such consummate grace. The whole of Act Two seemed a single lyric outburst, from Makarova's elegiacally sustained, *molto lento, molto legato*, account of the adagio, to Barishnikov's impossible soaring in Albrecht's solos, which are aspirations of both despair and love. And how right the ending: as dawn breaks, Makarova seems drained of all feeling and her hands, crossed at her breast, sink down to her sides in an image of final resignation. Barishnikov at the grave compels us to see that Giselle is like the flowers he clasps, and suggests her disappearing image as they stream from his arms across the stage. Perfect, unforgettable performances: we are privileged to have seen them.

On Saturday afternoon Cynthia Gregory and Fernando Bujones assumed the leading roles. I wish I could be in the least enthusiastic about their impersonations but, apart from saluting Bujones' technical brilliance in Act Two—which was very impressive in clarity and bravura—their casting seemed to me to be at odds with their abilities. Gregory, with her bold style, is a Myrtha rather than a Giselle; Bujones has boyish charm, but does not as yet convey the depth of Albrecht's feeling or of his suffering.

On Saturday evening Gelsey Kirkland appeared in the ballet with Barishnikov. Kirkland has many of the attributes we associate with Giselle: fragility, a sensitive air, and to these she adds the dramatically apt appearance of being extremely young—she can look little more than 14 years old. This waif-like quality is an appealing basis for her characterisation, but it remains a constant, without being developed. Kirkland's mad-scene is gently deranged: the girl is lost in a trance of sorrow, and this accords well with the rest of her reading which seems shyly poised on the brink of the real world throughout the act.

Barishnikov was grandly Albrecht once more. He made the week's season by American Ballet Theatre an unforgettable display by a great male dancer in the radiant high summer of his gifts, and in everything he does I sense a dedication to his art and a dignity in using his talent.

CLEMENT CRISP

The Other Place, Stratford-upon-Avon

'Tis Pity She's a Whore

As the Actors Company did a little while ago, the Royal Shakespeare Company plays Ford's tragedy in modern dress. But not in modern times; no attempt is made to suggest that the dreadful affairs of the plot take place in present-day Parma. They take place in a Jacobean, or rather a Caroline, theatre, and the modern dress is no more out of place than the contemporary costumes that were no doubt worn at the Caroline performances.

Ron Daniels, the director, has kept firmly to 17th century conventions, with a plain stage and no scenery, but an illuminated cross behind a grating along one side of his acting area. He sees more religion in the play than I do, starting with an extraneous dumb show of a religious service before Giovanni, the anti-hero, finishes his confession, and interpolating several minutes of Latin wedding ceremony where Ford writes: "These holy rites performed, now take your times." I'm afraid I thought all this just clever-clever; for the Church—apart from the Cardinal's defence of Grimaldi's murder on the ground of his good birth—plays little part in the play, and that basically conventional.

Grimaldi is one of the suitors of Florio's lovely daughter, Annabella, lovely indeed in Barbara Kellermann's taking performance. The others are Bergetto, a clown who greatly pleased the audience in Tim Wylton's performance, and Soranzo (Nigel Terry) described as a nobleman; but Annabella's choice is her young brother Giovanni (Simon Rouse).

When Annabella becomes pregnant, she is hastily married to Soranzo; but of course he discovers her state on their wedding night. The complexities of the plot are too many to describe here; but they lead to a splendidly gory climax.

At the centre of the machinations is Soranzo's servant Vasques, a sinister Spaniard given a good frozen-faced performance by Geoffrey Hutchings. There is some pleasant fooling by Ron Cook as Bergetto's loyal servant, and Annabella's companion, aptly named Putana, is well done by Valerie Lush.

My overall impression is that the production is rather naive, the business too predictable and too ordinary. But certainly Mr. Daniels keeps it moving fast and generally furious.

B. A. YOUNG

Chichester Cathedral

Southern Cathedrals Festival

by ANDREW PORTER

The Southern Cathedrals Festival is at Chichester this year. At evensong on Saturday the anthem was Gerald Finzi's paean *God is gone up*. The service was Darke in F, a composition that rises to grandeur when sung by such ample and accomplished forces.

The concert that evening included two of the festival anthems composed for Walter Hussey, the retiring Dean of Chichester, when he was at St. Matthew's Northampton. Lennox Berkeley's *Sion's daughters* (1945) is notable for its beautiful treble solo, "O that I once past changing were," a limpid inspiration comparable to the solo that starts with Berkeley's *The Lord is my shepherd* (sung at Sunday evensong). The latter can be heard, recorded, on Abbey LPB 770, with the admirably pure treble soloist Andrew Wicks, who is still *primo fanciullo* of this year's festival.

The other anthem, Finzi's *Lo, the full final sacrifice* (1946) is an extraordinary work, of sustained, mystic rapture an adoration of the sacrament (to words by Crashaw) sensuous in the tender curves of its melodies and in its smoothly woven textures yet also strong, joyful in its fervent climaxes. There is some Elgar in it, and some Holst, but both are transformed; the whole is purest Finzi both in character and in technique.

At the centre of the programme was a poised and delightfully fresh performance of Britten's masterly *Hymn to St. Cecilia*. The concert began with his brilliant St. Edmundsbury fanfare—three trumpet calls, in three keys and three moods, heard singly, and then all at once. Two trumpets and organ found in John Gardner's *Sonata da Chiesa* (composed for Chichester 901, last year), a brave, arresting four-movement work based on the fanfare that opens Monteverdi's Vespers. The same forces, plus percussion, accompany William Mathias's *Three Mediaeval Lyrics* (1967), a colourful and adventurous piece but not laid out on the voices with the skill of a Finzi or a Britten.

The combined choirs—of Chichester, Salisbury, and Winchester, conducted by John Birch, Richard Seal, and Martin Neary—were bold and bright, secure in all they did. The Chichester organ is not in working order; two electronic substitutes were used, one at the West end, one in the Choir—superior examples of their kind, but their sound at climaxes was plainly "canned."

For the next year's festival, at Winchester, the Sea *Symphony*, Schubert's G-major Mass, and much Janacek are announced. But I hope the Southern Cathedrals Festival is not aiming to become a southern rival to the Three Choirs; that it will keep its character as a feast of English cathedral music, through the centuries, at its greatest.

New E.N.O. Bohème

English National Opera will present a new production of Puccini's *La Bohème* on Friday, September 9. The French production team of producer Jean-Claude Auvray and designer Hubert Monloup will be working in England and at the London Coliseum for the first time.

The opera has been double cast with the two ENO sopranos, Valerie Masterson and Josephine Barstow, giving their different interpretations of the role of "Mimi."

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OVERSEAS NEWS

Lance facing bank loan questioning

By David Bell

WASHINGTON, July 24.

MR. BERT Lance, one of President Jimmy Carter's closest advisers and the man in charge of the Federal budget, will face some close questioning on Capitol Hill this week about a large loan that he has received from a Chicago bank.

On his appointment as director of the Office of Management and the Budget, Mr. Lance promised to sell his large stockholding in the Georgia Bank, which he headed before the election, to avoid any conflict of interest. But since then the market value of the stock has fallen and if he were to sell it now, he would incur a substantial loss.

Although he has very large assets, more than enough to match the amount he owes, this could make it difficult for him to meet his current annual interest charge of $373,000, on debts which include $3.4m. to the First National Bank of Chicago and $1.5m. to four smaller banks.

Accordingly, Congress was on the point last week of absolving him of the need to sell the stock for the moment. However it was then disclosed that shortly after his bank placed $50,000 in a non-interest-bearing account with First Chicago, the Chicago bank assumed an outstanding $2.5m. loan to Mr. Lance and expanded it by a further $700,000.

Mr. Lance said that the deposit of the $50,000, which later grew to $200,000, was simply to establish a perfectly normal "correspondence" relationship between the Georgia Bank and First National. But the account was not established until a month after the election, and there have been suggestions that this may have influenced the bank. Both the bank and a spokesman for Mr. Lance have indignantly denied this and no one has suggested that he has done anything either illegal or improper.

Nevertheless, Mr. Lance is being summoned before a Senate Oversight Committee meeting to explain the loan, and the circumstances surrounding it, more fully. In particular the committee wants to establish whether the non-interest-bearing deposit was intended as a compensating balance for the loan made to Mr. Lance. In certain circumstances in the past the Justice Department has considered such actions a possible misdirection of bank funds.

EEC ministers may decide future of JET this week

BY GUY DE JONQUIERES

BRUSSELS, July 22.

THE fate of the JET thermonuclear fusion project, which has hung in the balance for more than 18 months, could be decided once and for all when foreign ministers of the Nine meet in Brussels this week.

It is generally assumed here that unless the foreign ministers can end the lengthy deadlock over whether to site the project at Culham, near Oxford, or at a rival research facility at Garching, outside Munich, plans to build it under EEC auspices will have to be abandoned.

But with neither the British nor German governments showing any sign of readiness to abandon their claim on the project, the outlook for a settlement next Tuesday does not seem promising. Moreover, the idea of making JET a Community venture appears to be losing favour with some governments.

France is said to be questioning the whole value of the fusion research which JET involves, while the British Prime Minister, Mr. James Callaghan, has indicated that his Government would just as soon pursue the project on an ad hoc basis in collaboration with one or more European partners.

The last serious attempt to reach a decision was made by EEC research ministers at the end of March. Though the JET site was raised again at last month's meeting of heads of EEC governments in London, the political impetus needed to produce the breakthrough was clearly lacking.

International trade is also expected to be high on the ministers' agenda. They are due to hear a report by the EEC External Affairs Commissioner, Herr Wilhelm Haferkamp, on possible ways in which the Community might retaliate if U.S. Steel wins its pending court case challenging the legality of remissions of value added tax on European steel exports to the American market.

The council will also be asked to approve selective quotas imposed by the Commission on certain textile imports this month. This approval must be given before the end of August, but France has complained that the Commission measures are not tough enough and has threatened to maintain its own national quotas unless the EEC takes additional action.

Britain cancels Iran loan

BY ROBERT GRAHAM

TEHRAN, July 24.

BY MUTUAL agreement Britain has decided not to draw on the final $400m. tranche of a $1.2bn. loan from Iran. The loan agreement was negotiated with Britain in July 1974, at the time when Iran was a major foreign exchange surplus country in the wake of the 1973 oil price rises.

The arrangement has been under negotiation for several weeks now, and is reported to have had the approval of both the respective Governments. It is apparently satisfactory to both sides—with Britain at present in no real need for a such a foreign credit, and Iran happy to retain foreign exchange which it would prefer to keep for other purposes. There was nothing in the original 1974 agreement to prevent both sides from reaching such an arrangement.

So far, Britain has utilised $800m. of the loan. All of this has been taken up by national water councils. The $800m. has been granted in two tranches each of $400m. However, the second tranche was broken up into two portions of $200m. each, paid over in June and September last year.

The second tranche was split up in this way, to lessen the impact on Iran's foreign exchange reserves. Indeed, the granting of the loan would probably never have taken place if the Iranian authorities had realised at the time, just how quickly their substantial surplus situation would alter. In 1974 the Iranians also granted a $1bn. credit line to France.

These two loans to Britain and France were the first by an OPEC member, to industrialised countries. Since then there has been no repeat of this — or at least in this form and on this scale. Both loans were at "market rates" although the actual rate was never revealed, and did not involve any barter arrangements.

Largely due to underspending in the budget by some $3bn. the overall balance of payments in the year ending March, 1977, registered a $2.8bn. surplus. Central bank total reserves are now up to $12.7bn. (roughly equivalent to 8 months import). But Iran has in the last two years once again become a borrower in the international market. Thus the Authorities can no longer justify or support such major loan agreements of the British and French kind.

Andreotti to leave for Carter talks

BY DOMINICK J. COYLE

ROME, July 24.

SIG. GIULIO Andreotti, the Italian Prime Minister, leaves to-morrow for an official visit to Washington, where he is expected to assure President Jimmy Carter that the recent "programmatic accord" between the minority Christian Democratic Government and five opposition parties including the Communists still leaves the Communists a long way short of any direct involvement in Government.

The accord, reached here earlier this month, provides for all-party agreement on a wide range of policy issues, but it leaves the Andreotti administration at least notionally in command of the Government in the sense of having ultimate responsibility for legislation.

Some U.S. officials here see this accord—unique in Europe—as representing a considerable advance for the Communists, since in effect they have now secured a virtual veto on new legislation. Such a compromise, resulting from the Christian Democrats' failure to secure a working Parliamentary majority in the last general election, was opposed by the Ford administration in Washington, and especially by Dr. Henry Kissinger, but President Carter at least appears to be taking a less hard-line attitude.

Sig. Andreotti is expected to try to reassure President Carter that he has conceded very little, either in terms of policy or ideology, in the accord. He will stress that they, in their public statement at least, have come out firmly in support of Italy's continued membership both of NATO and the European Economic Community, and that ultimately the responsibility for Government rests with his own administration, even if he feels obliged to consult with the Communists prior to the formulation of policy.

Demirel criticises U.S.

ANKARA, July 24.

MR. SULEYMAN DEMIREL, the Prime Minister-designate of Turkey, said to-day that if the U.S. kept pressing Turkey—a "stout and loyal ally"—to settle the Cyprus issue, then he doubted whether there would be a solution.

Mr. Demirel, awaiting parliamentary acceptance of his new coalition government, said that more than two years of U.S. "interference" had not settled the problem of Cyprus, whose Greek and Turkish communities were forcibly divided by Turkish troops in July, 1974.

"In the long run," Mr. Demirel said, only Turkey and Greece could solve the issue. He urged the U.S. not to align itself with Greece, and to adopt a "position of non-interference."

"The Cyprus issue is not something between Turkey and the U.S.," said Mr. Demirel. "We always wonder why the complexity and malaise of Turkish-Greek relations should be injected into Turkish-American relations—they are different things."

He said he had spoken at length with Mr. Jimmy Carter during the U.S. President's visit to London in May, but said he did not know if he would see any change in the tone of U.S. foreign policy towards Turkey.

UPI

Funds for New York City

BY JAY PALMER

NEW YORK, July 24.

NEW YORK CITY has won $11.3m. in grants and special low-interest loans from the Federal government to help compensate it for damages arising out of the looting and vandalism experienced during the July 13-14 24-hour-long electricity black-out.

However, the Carter Administration is not to act as requested both by city and state officials, to declare New York a "disaster area," a move which would have made the city's ruined store owners eligible for still greater amounts of financial help.

Mayor Abraham Beame, at a special Press conference to announce the Federal aid, described it as "an important contribution." He categorically rejected as politically motivated comments by some city politicians running against him in the forthcoming mayoral elections that described this White House plan as "a sop" and "a fraud sop."

Under the programme announced late yesterday, the federal government will provide $2m. in aid to create some 2,000 jobs for clean-up operations in the worst hit city areas. A further $3.1m. will be given to pay for the demolition of burnt out buildings while $600,000 will be used to set up Federal assistance teams to advise small businessmen on how to recover.

Sri Lanka attempts to restore order

THE NEW Government of Sri Lanka to-night called for calm and closed taverns, bars and liquor shops in the wake of an outburst of violence in which at least 20 people have died.

The clashes erupted yesterday, two days after the United National Party (UNP) took an unprecedented 85 per cent. parliamentary majority in the first election in seven years. Thursday's election itself went off extremely calmly and this continued into Friday as the magnitude of the UNP victory which unseated the Left-wing coalition of Mrs. Sirimavo Bandaranaike became clear. The UNP took 139 of the 168 seats.

The violence came with a relaxation of tight security arrangements, including a four-day ban on the sale of liquor and a two-day public holiday.

Reuter.

K. K. Sharma adds: The main departure the new Prime Minister, the 71-year-old Mr. J. R. Jayewardene has made in appointing his cabinet is to name a Foreign Minister. He is Mr. A. C. S. Hameed, and by appointing him Mr. Jayewardene is thought to have shown that he intends to devote his main energies to the country's crippling economic problems.

Reliable sources say the Prime Minister has already worked out a blueprint for the development. One cornerstone of it is the setting up of a free trade zone along the Singapore pattern. This is to be a 200-mile area around Trincomalee which, it is hoped, will attract the foreign investment which dried up under the previous administration.

Leader, Page 10

PRIME MINISTER JAYAWARDENE

The second man comes first

BY K. K. SHARMA, IN COLOMBO

AN ARISTOCRAT belonging to a family of distinguished jurists, Sri Lanka's 71-year-old Prime Minister Mr. Junius Richard Jayawardene has performed the remarkable feat of getting the right-wing United National Party back in power and making the people believe it is now "new" and socialist.

As in most Asian and Third World countries, no party in the island republic can survive unless it professes socialism at least vaguely. "J.R.", as the Prime Minister is popularly known, was once known as a "brown sahib" but his acceptability to the people suggests he has successfully shed this image.

"J.R." is not too well known outside Sri Lanka, largely because he has always been the "second man" in previous UNP cabinets, becoming Prime Minister after waiting in the wings for 34 years. He made a bid for the premiership once in the 1960s, and came under cloud briefly on suspicion of plotting a political coup d'etat. Always the strategist behind former UNP Prime Ministers, "J.R." has finally used his political skill to win honours for himself.

His personality is important for the country since much will depend on his ability to steer a middle course to satisfy the unbending Tamils of northern Sri Lanka and the left-wing elements who have been trounced in the elections. And his reputation for inflexibility could be an obstacle in doing this if he acts true to form.

> Much will depend upon how far this rigid man can shed the aloofness that is supposed to characterise him—as he did begin to do during the election campaign.

A curiously ascetic, even retiring, man who has almost always given way to his leaders in the past even though he believed they were incompetent, "J.R." does not immediately inspire confidence. He is no stereotype politician. He rarely smiles, answers tersely except when personally piqued, and is in many ways forbidding. As one columnist says: "He works within boundaries but not the usual elastic boundaries associated with politicians."

Yet he bent sufficiently during the electioneering to rub shoulders with rural voters, wearing the bright green shirt of his party. Though uncomfortable in this role, this rigid man tried hard to shed the aloofness that is supposed to characterise him. Much will depend on how far he is able to make this effort as Prime Minister.

One good sign is that, although puritanical and a strict teetotaller, "J.R." now opposes prohibition. "Anyone can drink so long as he does not do anything illegal." He says India's Prime Minister, Mr. Morarji Desai, whom "J.R." admires and whose personality is similar (the Sri Lanka Premier's diet is only just less spartan than the Indian's nuts and milk), is more rigid in this respect.

Since "J.R." is a full-blooded politician—he abandoned the family tradition of practising law quickly when he entered politics full time in 1943—he obviously wants to make good. But Sri Lanka's Communist movement is still strong despite its electoral losses and "J.R." is its implacable enemy. He does not like the close links with Peking established by Mrs. Bandaranaike, and is expected to play non-alignment in a low key, without radically changing the country's foreign policy, because he believes his main task is to tackle domestic problems.

He is not afraid of reversing the process of gaining international stature for the small republic that Mrs. Bandaranaike assiduously tried. Sri Lanka is nominally head of the group of non-aligned nations, but "J.R." has said he may not attend the next meeting of the club at Havana. "After all, Castro didn't come here," he says, referring to last year's meeting of the non-aligned nations.

If he can bring the same pragmatism to bear on domestic affairs, "J.R." may well be the most successful Prime Minister Sri Lanka has had.

WORLD TRADE NEWS

U.K. exports of chemicals hit peak

Financial Times Reporter

EXPORTS OF chemicals—fertilisers, dyestuffs, paints, plastics, pharmaceuticals etc.—were 32 per cent. greater in the first half of 1977 than in the corresponding period last year, reaching a record £1.86bn.

Although U.K. chemical imports also rose (by £333m.) the favourable trade surplus produced by the chemical industry rose by 25 per cent. to a record £605m. for the half year.

The Chemical Industries Association drew atention to the fact that chemicals are now providing 26.5 per cent. of the entire U.K. trade surplus in manufactured goods.

Meanwhile, the international chemical contracting industry appears busier than ever with several companies having projects in hand valued at over $1bn., according to the newspaper Chemical Age's annual International Contracts Survey.

The most spectacular progress is shown by Technip of France with an apparent 170 per cent. increase in current workload from the value recorded in last year's survey. The Japanese company Toyo Engineering has done almost as well with a 135 per cent. increase to $1.7bn., being aided by appreciation of the Yen.

The Middle East is clearly a region of great interest for chemical construction with 39 of the 59 contractors, all based in OECD countries, currently active in the "Near and Middle East" area. The next most popular area is India and the far East which is receiving the attention of 35 companies.

● The Moroccan Government has given the go-ahead for the construction of a $230m. phosphoric acid plant at the mining centre of Benguerir, in the Marrakesh region. Scheduled for completion in 1980, Heurtey Industries of France and Uhde of West Germany are reported to have been allocated a major share of the work.

France aids the small exporter

PARIS, July 24.

THE FRENCH Government will raise the ceiling on short-term export credits that banks may offer to small and medium sized companies, a spokesman for the Prime Minister's office said.

This minor relaxation of credit restrictions will allow banks to lend a further Frs.500m. to these companies, currently the object of a series of support measures from the State.

The credit restrictions have recently been criticised by the French Employers' Federation as being likely to cause French companies serious difficulties in the coming weeks.

At the same time Caisse Centrale de Cooperation Economique, a state-run body which grants credits to French-speaking African countries, has announced the creation of a subsidiary, Sócìete de Promotion et de Participation pour la Cooperation Economique. The new unit will acquire temporary stakes in medium-sized industrial and food concerns in African countries, whether publicly or privately owned. The stakes will be "modest, but sufficient to allow the subsidiary to play a significant role," the announcement said.

Participations by the new company in African projects are designed to encourage French investors who often hesitate to take risks alone, the announcement added.

● A consortium of French banks led by Banque de Paris et Des Pays-Bas (Paribas) and Banque de l'Union Europeenne have arranged a buyer's credit of Frs.120m. together with a direct loan of $10m. to Cementos Catatumbo, a Brazilian cement concern, to finance the construction of a cement production unit in the Zulia region of Venezuela with a daily output capacity of 1,800 tons.

Agencies

U.S. probes fibre dumping

WASHINGTON, July 24.

THE U.S. Treasury is to begin an antidumping investigation of imports of viscose rayon staple fibre from Belgium. The Treasury said it had received a petition alleging that the prices of the imported fibre are lower in the U.S. than they are in Belgium and that the U.S. industry is being injured. Imports of the fibre from Belgium in the first quarter this year were valued at about $1.3m. the Treasury said.

AP-DJ

Cuban accord

HAVANA, July 24.

French Foreign Trade Minister Andre Rossi has signed an agreement with Cuba on ways of furthering economic links between the two countries. The agreement, following three days of talks, was believed to cover steps to increase trade and French investment.

In 1975, French exports to Cuba, mainly food products and machinery, totalled Frs.450m. while Cuba's exports to France were worth only Frs.100m. almost half of which was sugar.

Reuter

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Honda 'likely' to build U.S. motorcycles plant

BY DOUGLAS RAMSEY

TOKYO,

IN A bid to calm U.S. fears about the level of its motorcycle exports to the American market, Honda Motor will probably build its first U.S. manufacturing facility in 1978 to produce large-size motorcycles which have historically been exported from Honda's Japanese Plants.

Commenting on a newspaper report that decision had already been made to build a 60,000 units per year capacity plant in the great lakes region of the U.S., a Honda spokesman said to-day that no decision is expected before late autumn but that Honda is "likely" to proceed with plans to build motorcycles domestically in the U.S.

If so, Honda will become only the second Japanese motorcycle manufacturer to manufacture in the U.S. Kawasaki Heavy Industries started up production at its Lincoln, Nebraska plant in January, 1975.

According to the company, "three or four" sites are still under consideration, although Honda has received bids from over two dozen American states. Indeed, the U.S. motor industry is watching carefully how Honda proceeds with its motor-cycle production plans because the factory is expected to be the prelude for full-scale car production in the U.S. as well. Thus, which ever state lures Honda in the first instance is one step ahead in the competition for a later car assembly plant.

Honda's plans to build a motor-cycle plant were given an added boost recently when Harley-Davidson, the biggest U.S. manufacturer, filed a petition with the U.S. Government alleging unfair pricing practices by the four leading Japanese exporters, Honda, Kawasaki, Suzuki and Yamaha. The Japanese industry, thus, is afraid that the petition will set in motion an investigation which could eventually lead to import restrictions of the sort recently imposed on Japanese exports of colour television sets to the U.S.

In 1976, Honda exported 220,000 motor-cycles to the U.S. market out of a total exports of about 1.2m. units. If current plans to build 60,000 large motor-cycles are given the go-ahead, the U.S. facility would still only turn out a fraction of Honda's world produ[ction] perhaps meet less tha[n] of U.S. demand whe[n] goes on stream.

● Production of mot[orcycles in] Japan reached a mon[thly record] in June to total 486,6[..] 22.4 per cent. from 3[..] in May and up 24.8 pe[r] 389,984 units in June prior monthly record cycle production w[as] units in April this ye[ar] tion for the half yea[r] record high of 2,559,1[..] 22.1 per cent. from 2,0[..] a year ago.

Record motor produc[tion]

TOKYO,

JAPAN'S MOTOR production in June hit a monthly record high to total 755,173 units, up 10.6 per cent. from 683,097 units in May and up 6.5 per cent. from 709,028 units in the same month last year, the Japan Automobile Manufacturers Association said. Announced output in May fell 2.8 per cent. from April. The previous monthly production record was 750,120 units set in March 1977.

Passenger car production in June also marked a monthly record high totalling 484,943 units, up 9.6 per cent. from 442,204 units in the prior month and up 6.3 per cent. from 456,080 units in the same month last year. The prior monthly record for passenger car output was 466,323 units also in March this year.

Output of trucks in June totalled 265,842 units, up 12.3 per cent. from 236,802 units in the prior month and up 6.5 per cent. from 249,543 units [a] year ago.

Bus production totalled 4,388 units, [up ... per] cent. from 4,091 un[its] and up 28.9 per [cent. from] 3,405 units in the s[ame month] last year.

The association als[o ...] production for a half [year] ended June marke[d a record] high totalling 4,116,0[..] 8.7 per cent. from 3,7[..] in the first half-yea[r].

—Passenger car ou[tput] the half-year reache[d a] high of 2,618,166 u[nits] per cent. from 2,4[..] a year ago. Truck [...] during the period [...] second high of 1,47[...] up 11.7 per cent. fr[om ...] and bus production record high of 24,5[..] 22.2 per cent. from a year before.

AP-DJ

Yugoslavs seek Soviet credi[ts]

BY A. LEBL

BELGRADE

YUGOSLAVIA WOULD like to obtain more Soviet credits and intensify economic cooperation with the USSR.

Dr. Berislav Sefer, Yugoslav vice-premier in charge of the economy, who is visiting Moscow, has been discussing these matters with his Soviet counterparts.

In 1972 talks were held on a massive $1.3bn. Soviet credit for purchases of equipment for power plants, steelworks, mines etc., but the amount was eventually reduced to between $500 and $600m. It took some time for contracts between Yugoslav and Soviet concerns to be signed and some of them have still not been fully realised. Now the Yugoslavs are proposing an extension of some of these arrangements, in particular those in non-ferrous metallurgy, and a general increase in the overall amount of credits. This could also be interpreted as a wish to intensify links with the Comecon in view of the unfavourable Yugoslav position in trade with the EEC.

Dr. Sefer has also discussed cooperation with the Soviet Union beyond 1980 — after the current five-year period—specifically on projects in electrical equipment manufacturing, shipbuilding, ferrous metallurgy and motor industry. Long-term cooperation programmes will probably be prepared in these and other fields.

Two-way trade between Yugoslavia and the USSR this year will amount to some $2.5bn. and be more or less balanced. The Soviet Union is Yugoslavia's number one trading partner.

Meanwhile Yugolsavia's trade deficit soared in the first six months of this year to $2.1bn. from $1.03bn. in the same period last year. This more than doubling of the trade gap was due to a rise of only 6 per cent. in the value of exports. In view of an almost parallel rise in export prices this means that there was no increase in export volume. On the other hand imports increased 37 per cent. by value to $4.79bn., increased prices accounting for some 9 per cent. The performance i[s] poor as far as expor[ts are con]cerned, falling 10 [...] below the level of [a year] ago.

Especially disturb[ing for Yugo]slavia is the deficit with the develope[d ...] which amounted to almost four-fifths o[f ...] The bulk of it is wi[th ...] Officials, like recent[ly the vice-]premier in charge [...] Dr. Berislav Sefer, trying to draw the [attention of] the EEC governmen[ts to the fact] that the situation [...] changed by all mea[ns].

The main reason f[or ...] imports is the stro[ng growth] of industrial produ[ction] in the first half of t[he year ...] 11.2 per cent. highe[r than the] corresponding peri[od] when production w[as] stagnant, showing n[...] 1975.

However, this yea[r's ex]pansion has refuel[led ...] which is having an a[dverse effect] on Yugoslav exports.

Hijaz railway project boost

BY RAMI G. KHOURI

AMMA[N]

THE REVIVED project to rebuild the historic Hijaz railway between Damascus and Medina, in Saudi Arabia, will get a major boost when Saudi Arabian, Syrian and Jordanian transport officials meet in Amman shortly to get the project moving.

The Financial Times has learned that officials from the Syrian Transport Ministry and the Saudi Arabian Communications Ministry have accepted a Jordanian invitation to meet here within the coming six weeks to discuss the railway scheme in detail.

A time is now being fixed for the meeting, at which the three states are expected to agree to commission economic and technical feasibility studies to build a standard-gauge rail line from Damascus to Medina, a total distance of 1,302 kilometres.

The Saudis are understood to have expressed a willingness to finance the project through a combination of grants and loans.

The original narrow-gauge Hijaz railway was built between 1900 and 1908 by the Sultan Abdul Hamid of Turkey, but the Saudi portion of the line has been out of service since 1923. A narrow-gauge line is now running between Damascus and Amman, and from Amman to the Saudi-Jordanian border.

Last week, Syria and Jordan issued a joint call for pre-qualification bids from international consultants for economic and feasibility studies for the Damascus-Amman portion of the new standard-gauge line, a distance of 225 kilometres. It is anticipated that after the three nation meeting here this summer similar tende[rs will be] issued for studies on [the] Medina portion of [...].

Jordanian officials [say the] cost of the Dama[scus-Amman] segment would be clo[se to ...] The full Damascus-[Medina pro]ject could cost over [...] project to rebuild [the] narrow-gauge line [between] Damascus and M[edina was] abruptly ended by t[he ...] 1970, after track ha[d ...] between Damascus [and the] Jordanian-Saudi bor[der. The] line is in use to-day.

The new railway w[ould be] a direct rail lin[k between] western Europe [and Saudi] Arabia, from where [goods could] be forwarded by tr[uck] to all the Arabian p[eninsula oil-]producing states.

The railway would [also serve] as a major means [of transport] for the Moslem pilg[rims travelling] to the holy cities of [Mecca and] Medina every year [...] annual haj (pilgrima[ge]). Jordanian official[s ...] that over 100,000 Mos[lems from] Turks travelled via [...] year en route to the [holy] cities.

Sudan pipeline go-ahead

BY ALAN DARBY

KHARTOUM, July 24.

SUDAN'S 821km. petroleum products pipeline, which links the capital, Khartoum, to Port Sudan on the Red Sea, is due to come into operation more than a year behind schedule in September, according to a firm of consultants who have been working on the project.

The construction of the pipeline was completed last year by a joint venture of Sir Alfred McAlpine and Sudrohrbau. Leaks were found in some of the pipes when the pipeline was tested.

The pipes were supplied by Kuwait Metal Pipe Industries, which had a $50m. turnkey contract for the project, and by Mario Maraldi and Montubi, both of Italy, and Sumitomo of Japan.

Parsons Brown of Britain and Kenomac of Kuwait are consulting engineers to the project.

If, as Kenomac says, the pipeline starts operating in September, it will end a period of worsening fuel shortages in Sudan. These have been particularly acute in regions to the south and west of the capital, where they have become something of a political issue. The shortages have added to the constraints on Sudan's ambitious development programme.

The pipeline is designed to free fuel-carrying rolling stock on the Port Sudan to Khartoum railway. The rolling stock can then be used to carry fuel from the new terminal in Khartoum to other parts of the country.

World Economic Indica[tors]

TRADE STATISTICS

		June '77	May '77	April '77
U.K. £bn.	Exports	2.781	2.616	2.635
	Imports	3.068	2.860	2.764
	Balance	−0.287	−0.244	−0.129
France Frs.bn.	Exports	29.695	24.550	24.596
	Imports	30.271	27.827	27.462
	Balance	−0.576	−0.977	−0.866
		May '77	April '77	Mar. '77
W. Germany DMbn.	Exports	22.700	21.900	25.800
	Imports	19.100	18.900	21.400
	Balance	+3.600	+2.900	+4.200
U.S. $bn.	Exports	10.394	9.970	10.071
	Imports	11.615	12.593	12.458
	Balance	−1.221	−2.623	−2.388
		April '77	Mar. '77	Feb. '77
Holland*† Fls.bn.	Exports	9.124	9.611	8.656
	Imports	9.333	10.121	9.094
	Balance	−0.209	−0.510	−0.438
		Mar. '77	Feb. '77	Jan. '77
Italy Lire bn.	Exports	3.146	3.419	2.702
	Imports	3.646	3.882	3.200
	Balance	−0.500	−0.463	−0.498
		Feb. '77	Jan. '77	Dec. '76
Belgium* B.Frs.bn.	Exports	104.357	99.689	121.327
	Imports	109.520	111.788	113.220
	Balance	−5.163	−12.099	+8.107
		Feb. '77	Jan. '77	Dec. '76
Japan	Exports	5.740	4.660	7.156
	Imports	4.449	4.740	5.503
	Balance	+1.291	−0.080	+1.653

* Excludes trade between Belgium, Holland and Luxembourg.
† From Feb. 1977 this is no longer applicable to Holland.

State controls investment climate say pension funds

BY ERIC SHORT

THE NATIONAL Association of Pension Funds told Sir Harold Wilson's committee reviewing financial institutions that there had never been a shortage of pension fund money available for investment in industry and commerce.

The problem was a lack of demand for capital on terms which pension funds could accept.

The Association emphasised in its preliminary evidence to the committee that the investment environment was determined largely by the action of the Government, including its measures to control inflation, its attitude towards company profitability and dividend control and the level of interest rates on gilt edge stocks used to fund the Government's borrowing requirements.

Trustees of pension funds had to determine their investment policy in the light of investment conditions.

It was not, nor should it be, a function of pension fund managers to attempt to create a demand for capital investment. This demand should come from industry itself and from the Government creating favourable investment conditions.

Pension funds were trustee funds and the function and operation of the trustees were bound by legal restraints. Trustees were obliged to consider the interests of their members and beneficiaries first. They had their specific duties in the investment area and could not take too wide a view.

The association described the general investment criteria of pension funds. The long-term inflatory nature of the liability meant heavy investment in equities and property.

Cautious

The oil crisis, the subsequent collapse of the equity market and the changing attitude of the authorities to equity shareholders had tempered the enthusiasm of institutions for equities. Pension funds were investing considerably less in real terms in the equity market because of the greater uncertainty currently prevalent.

Pension schemes were more cautious and conservative, putting emphasis on investing in companies with good records and financial strength.

Pension funds played a major role in the underwriting and funding of capital raised by rights issues. The growing involvement by pension schemes investing directly in property, principally offices, industrial units and retail premises, enabled companies to make more money available for operating capital.

Pension schemes had fully supported the special organisations set up to provide capital such as Finance for Industry and Equity Capital for Industry.

The association foresaw pension schemes being more involved in direct investment in capital projects. Schemes would take a growing interest in the management of companies in which they were shareholders.

It warned the Government that there was a need for a return to profitable investment and a real yield on assets. A continuation of high inflation rates would create a crisis of confidence to the detriment of the funding system of pension schemes and the consequent availability of capital for investment.

See Lex, Back Page

Tube Investments capitalises on Tour de France win

BY NICK GARNETT

THE 4,000 gruelling kilometres of this year's Tour de France which came to an end among the crowds on the Champs Elysees yesterday looks like turning into a big sales bonanza for Tube Investments.

The group, which took the team prize with its TI Raleigh squad, is exploiting the victory which it sees as a launching pad for a sales thrust into the EEC and a fillip for its products world-wide.

The main beneficiary of yesterday's victory from 24 days of racing by a ten-man team soaking up £250,000 of Tube Investments sponsorship will be TI Raleigh cycles, part of the Tube Investments group.

Last year TI Raleigh sold only £8m. worth of cycles in the EEC, excluding Britain, out of its total cycle sales of £100m.

Partly on the basis of its first though mixed fortune efforts in last year's Tour de France, the EEC orders for TI Raleigh cycles are now well above those of last year, but the company sees this year's team win as the real key in a sales strategy, based on cycle road race victories, laid in 1974.

The target is to double EEC cycle sales, 165,000 last year, during the next two to three years with spin-offs in the U.S. and elsewhere.

TI Raleigh posters on the Tour de France victory were being despatched round the world yesterday, a new series of television advertisments start on British television to-day and the company intends increasing sponshorship by £50,000 in 1978.

Dealer networks in Holland, where there is a good sales base, Belgium, France and in Germany where Raleigh's operation is losing money, will be strengthened.

The EEC takes about one-third of the group's £125m. direct exports and is the fastest growing sector.

The group will be looking to expand this rate of growth on the basis of its cycle sponsorship and the sweat and grit of Hennie Kuiper and Dietrich Thurau and the rest of this year's team.

Cheaper Spanish resorts accused of overbooking

BY ARTHUR SANDLES

TRADING DOWN in holiday resort choices by the Germans and the British, plus the peseta devaluation which is producing a rush of late bookings, is causing capacity problems in traditionally less expensive holiday areas of Spain.

While some hotels in the glossier resorts of the Costa del Sol and Majorca could do with the business, hotels on the Costa Brava and Costa Dorada (areas to the north and south of Barcelona) are being accused of rampant overbooking.

Small groups of British tourists were affected this weekend when tour operators said they were told at the last minute that the hotels could not take their clients.

Cosmos Tours said: "We have had to get very tough with some hotels. Even if we have a few empty seats here and there and room allocations on paper, we are not selling at the very last minute to these places."

Many hoteliers took a very gloomy view of the coming season and over-booked to insure against cancellations, but bookings instead flowed in.

Another area of Europe under pressure is southern Portugal. The revival of tourist traffic to the Algarve appears to have caught the hoteliers there on the hop.

The Portuguese National Tourist Office is making efforts to improve the position.

Substitutes survey

Scarcely any demand exists for the 11 new substitute-tobacco cigarette brands launched in the past fortnight, according to a countrywide random survey by CTN (the Confectioner, Tobacconist, Newsagent publication).

Education paper

The London Chamber of Commerce and Industry, while welcoming the Government's attempt to re-examine the educational system, finds last week's Green Paper, Education in Schools, a "severe disappointment." "This review of the educational structure has turned out to be frustratingly indecisive," it adds.

Wine accolade

The Gore-Browne Trophy, the accolade for English wine, has been won this year by a Norfolk farmer who produced an "exceptional" wine with his first vintage. Mr. Peter Cook, of Pulham Vineyards, Pulham Market, Diss, planted his experimental vines five years ago.

Mohair from NZ

Among 14,500 bales of wool on the freighter Marianna, due to reach Liverpool to-night, will be a bale of New Zealand mohair, believed to be the first to come to the U.K. from that country. The bale will be received by Mr. G. D. Ashworth, head of a Bradford firm of wool-brokers.

Tunnel TV

Closed circuit TV is to be installed in the northbound Blackwall Tunnel in South-East London, at a cost of £36,500, to enable police to identify the cause of hold-ups more quickly.

'End trade' bid

Mr. Greville Janner, Labour MP for Leicester West, is to demand in the Commons on Thursday an end to all British trade with Uganda "direct or indirect, official or unofficial."

Faulty banknotes slip-up 'incompetence'

BY MICHAEL BLANDEN

MR. DENIS HEALEY, Chancellor of the Exchequer, is to be asked to set up a special inquiry to discover the reasons for an apparent slip-up in the Bank of England's system for checking new banknotes.

A considerable number of faulty £1 notes have reached the public.

Mr. Marcus Lipton, MP for Central Lambeth, said yesterday that he would submit an emergency Commons question to Mr. Healey to-day, demanding a probe and calling for swift Treasury action to prevent the sale of the faulty notes as collectors' items.

"There has been some damned incompetence somewhere," Mr. Lipton said.

The move follows reports at the week-end that a number of faulty notes had been presented to banknote dealers in recent weeks.

It is reported that batches of £1 notes have been issued all bearing the same serial number and some with two different numbers.

The Bank of England expects to carry out its own investigation.

The Bank said yesterday that a few thousand notes had slipped through. It added that as far as is known, they were all £1 notes, but the public could rest assured that they were legal tender at their face value.

It was reported yesterday that Spinks, the leading dealers, had at one stage offered £2 a time for the faulty £1 notes.

The Bank said that normal stringent checks had failed to pick up the faulty notes.

The slip could have happened because of a fault in the machine, or because notes printed as a test had not been destroyed.

The Bank prints about 6m. notes a day at its plant in Loughton, Essex, and a few faulty ones occasionally slip through.

Some in circulation may have the Queen's portrait on the wrong side or smudges.

The faulty notes would be destroyed in the course of normal transactions, the Bank said.

Mr. Lipton said that it was frightening that there had apparently been a slip-up on the technical and management side of the Bank. "This is a terrible state of affairs."

Shipyard wins £8m. order

By Roy Rogers, Shipping Correspondent

BRITISH SHIPBUILDERS has won an £8m. order for two small container ships that will guarantee employment for about 1,000 Tyneside Swan Hunter workers till the end of next year.

With some assistance from the Government's £65m. intervention fund, Furness Withy has ordered two 4,120 d.w.t. fully cellular container ships for use on its Prince Line Mediterranean services.

The design is based on Appledore Shipbuilder's AS300 — several of which are being constructed at Appledore, Devon, for Ellerman Line. British Shipbuilders has high hopes that the design will attract further orders.

Each vessel can accommodate 288 20-foot containers and 50 refrigerating containers, and is powered by a three-cylinder slow-speed Doxford diesel engine.

The early delivery dates—August and December of next year—underlines how short of work some of the nationalised shipyards are. Yet they continue to attract a trickle of orders and these have proved sufficient to stave off redundancies.

But it remains to be seen whether this can continue. Unless new orders are forthcoming, workers at Govan Shipbuilders on the Upper Clyde may face progressive redundancy when they return from their annual holidays next month.

British Shipbuilders is pinning its hopes on a big shipbuilding contract with Poland, which has been under negotiation for several months.

Britain signs new air services pact with U.S.

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

The new Anglo-U.S. bilateral air services agreement was signed in Bermuda on Saturday by Mr. Edmund Dell, U.K. Secretary for Trade, and Mr. Brock Adams, U.S. Secretary for Transportation.

Called "Bermuda Two," it replaces the orginal Bermuda air agreement which has lasted for over 30 years. It has taken 12 months of hard bargaining, including some late exchanges in Bermuda over the past week.

In the U.K. British Caledonian has been particularly critical of the new pact, arguing that it will substantially dilute the revenue British Caledonian can earn from its U.S. operations. The new pact has several broad areas. They are:

1—New routes: British Airways get rights to Seattle and San Francisco; British Caledonian gets rights to Houston; and Laker becomes, with its low-fare Skytrain, the second U.K. airline on the London-New York route, after British Airways. In addition, the two countries can each put two airlines on the London-Los Angeles route.

U.S. airlines get rights to Anchorage-London, and for three years sole rights between Atlanta and Dallas-Fort Worth and London, after which a U.K. airline can also serve those latter routes.

2—Capacity control: Detailed techniques are being laid down for the scrutiny of airlines' seating plans on the Atlantic routes, with provision for the two governments to intervene if they feel that the numbers of seats offered is becoming too great and thus wasteful of resources.

3—Designation: This is closely allied to the new routes, and provides for "single designation," that is, one airline from each country, on all the routes between them with the exception of London-New York and London-Los Angeles, where two airlines from each can fly.

In the Pacific, the U.S. has obtained new operating rights to Singapore, while a U.K. airline will get additional rights between Hong Kong and the U.S. West Coast via Japan. The U.S. also gets the right to select a new, as yet undetermined, American city for non-stop services to London.

4—Tariffs: New techniques are included which it is hoped will avoid disputes over fares in future. A working party will be set up to advise the two governments on fares policies.

5—Charters: A much closer "working relationship" on charter policy is envisaged, which it is hoped will avoid many of the difficulties that have occurred in the past.

6—All-cargo services: What are claimed to be "extensive and flexible" new routes for both sides have been agreed.

Detailed drafts of the new agreement are expected to become available in London early this week.

Safeguard on prices criticised

Financial Times Reporter

A GROUP of accountants working for Britain's biggest companies has accused the Government of having no understanding of the return on capital necessary to stimulate risk investment.

The Hundred Group of chartered accountants has told the Department of Prices that its proposals for safeguarding companies' profits under the new system of price controls will have exactly the opposite effect of that intended.

Far from stimulating investment, the group claims, the safeguards would act as a disincentive. The Government, it says, is still failing to give practical recognition of the importance of business profits as a source of funds for industrial investment.

Nor does it recognise that, as long as dividend controls remain, any increase in permitted profit levels is automatically channelled into projects for improving industrial productivity and capacity.

The group repeats its view that there should be no price controls without an effective pay code, and says the proposed return-on-capital safeguard is a clear indication that the Government actually contemplates investigating companies whose return on equity capital is only slightly more than 10 per cent.

In the group's view, a return of not less than 15 per cent. on revalued capital should be regarded as reasonable and provide the basis of any safeguard provisions.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● RADAR

Designed for all to see in daylight

FOLLOWING a successful launch last year in the U.S., where 400 orders have been obtained from American shipping companies, Raytheon has now formally announced its Mariners Pathfinder radars in the U.K.

Principal point made by the company about the equipment is that the screen can be viewed comfortably in daylight by several operators at the same time.

Two display brightness levels are employed. Echoes just barely above noise or sea/rain clutter on the first level are enhanced and displayed at high brightness. Stronger signals which break through the second threshold level are painted at an even higher brightness on the tube. The result is a bright two-tone picture free from background noise which displays weak signals at one brightness level and strong ones at a higher level.

Thus, a ship will be seen overall at the lower level with masts and superstructure painted as superimposed bright spots. Coastline terrain will be at the lower brightness while the buildings and high landmarks will show as brighter areas.

The radar has an anti-sea clutter control and an interference rejection unit, the latter a low price option which completely rejects random noise and radar interference signals.

A true motion/anti-collision system electronically plots the actual and relative courses and speeds of up to eight selected targets entered into the system's computer with the joystick. The plotted data is automatically revised during change of range scales, and displayed accordingly. In addition, a trial manoeuvre simulation can be made for any one target with the result automatically applied to all the other targets being plotted.

Some 24 different versions in X and S band are offered with transmitter powers ranging from 25 kW to 60 kW. Aerials rotate once every two seconds and there are four sizes. 65 Vincent Square, London SW1 2NX (01-828 6172).

● PROCESSING

Gets rid of the air

FRUIT JUICES, jellies, treacles, sandwich spreads and similar viscous foods of a homogenous nature can be processed in a centrifugal de-aerator developed by the Alfa-Laval group.

Of stainless steel and cone-shaped, this 1.5 meter high unit is wall-mounted. It can be directly linked to the pumping and pipework system of a production line, and is fitted with high-pressure built-in spray nozles for cleaning.

The product to be de-aerated is fed continuously through a distributor pipe into a vacuum chamber, where it is sprayed on the underside of a rotating cone. Centrifugal forces spreads it in a thin layer over the cone's surface. Dissolved air is drawn off by a vacuum pump, and the vapour from the de-aerated product passes through a water-cooled condenser.

De-aerated product is collected at the bottom of the vacuum chamber and can be removed continuously for further processing by a positive displacement pump.

Throughput will depend on plant capacity and the viscosity of the product, but is variable up to 2000 litres/hour. The machine will operate in temperatures ranging from 40 to 50 degrees — maximum de-aeration is obtained by pre-heating the products to 50 to 55 degrees C.

Called the Centri-Vac, it is claimed that the machine is "gentle" in processing food products. Foaming at filling stage is eliminated and cleaning takes about 15 minutes.

Details from Alfa-Laval Company, Great West House, Great West Road, Brentford, Middlesex, TW8 9BT (01-560 1221).

● AGRICULTURE

Speeds the harvesting

ANY CROP, under all types of field conditions, can be handled at faster speeds and with less grain loss than has ever been possible before. This is the claim made for a conveyor belt-fed combine table developed by Massey-Ferguson.

Called the Power-Flow table, the maker says that although the process has been known for a long time it has not been possible to design a suitable conveyor. Now the problem has been overcome by using mining industry technology developed for coal conveyor systems.

Prototypes have been in operation for three years, and their success has encouraged the company to go ahead with production at MF's Kilmarnock combine plant where an investment programme of more than £2m. is being completed to provide expanded facilities for the introduction of the table and further developments in the MF combine range.

The table will be fitted as standard on the MF760 combine for 1978 and will be optional on the smaller MF750, which is making its debut in the U.K. harvest this year.

Other new features on both machines for next year will include improved engine cooling, increased unloading height, armchair type cab seating and batteries that require no maintenance. The company is also introducing a baler for the smaller user. Prices will be available on August 1.

Key feature of the Power-Flow table is a conveyor belt feed that transfers the cut crop from the knife to the auger. It enables the knife to be located much further forward of the auger than on conventional tables.

MF reports that in field tests the table has given improvements in the rate of harvesting of 15 per cent. in wheat, 12 per cent. in barley and 73 per cent. in direct cut rape. Working in wheat, table losses have been reduced by over 80 per cent.

As well as giving faster work and reduced table losses, the table is claimed to improve threshing efficiency and to have outstanding ability to work in laid, wet and tangled crops.

Main concept of the development is to give a steady and even feed of crop to the threshing cylinder so that the stems arrive "head-first." Separating losses are five times greater if the stems do not arrive head-first at the cylinder.

Power-Flow tables will be produced in 14, 16 and 18 feet sizes.

Details from Massey-Ferguson (U.K.), Banner Lane, Coventry CV4 9GF (0203 465211).

● INSTRUMENTS

Acidity at a glance

A HAND-HELD battery powered pH meter, offered as a low cost alternative to conventional analogue types, has been launched by Jenway.

Quick, simple measurements over the whole pH range from 0 to 14 can be carried out with a resolution of 0.1 pH. Readings appear on a three-digit LED display with 0.6 inch high numerals.

Supplied with the instrument is a conventional silver chloride electrode with an accurate platinum resistance sensor for automatic temperature compensation over the range 0 to 100 deg. C. Another, separate, sensor allows measurements to be made of temperature only.

The unit, known as the 3030, is housed in a rugged metal case and runs on eight HP7 or MN1500 batteries to give about 2,000 measurements. More from 26, Broomhills Industrial Estate, Rayne Road, Braintree, Essex (0376 26266).

Measures and prints

DIGITAL voltmeters have been introduced by Datron Electronics with a built in print-out facility.

The new instruments, called the 1241 (4½ digit) and 1251 (5½ digit), are autoranging printing units with resolutions of 1.0 and 0.1 microvolts respectively. Available for bench or rack mounting, the instruments are self contained and provide a paper record of the DVM input signal without the need for external interface units or cables.

The electrical performance of the meters is basically the same as the well established Datron 1041 and 1051 instruments.

The 16 column, two colour, floating decimal point digital printer has a drum type mechanism giving a clear unambiguous read out on standard paper. Print-out can be commanded manually or remotely or can be automatic, at intervals of from one print every 10 seconds up to three prints per second. Datron is at Meteor Close, Norwich Airport Industrial Estate, Norwich NR6 6HQ, Norfolk. Tel. 0603 412126.

● PACKAGING

Carton may make many more trips

MUCH WASTE takes place in warehouses and despatch departments with the discarding of cartons which are thought to be unusable, because they are heavily marked. But they may well still be quite sound and capable of long service.

Lawco Spray Out is the name of an aerosol-dispensed obliterating fluid from Lawtons of Liverpool intended to block out all markings, leaving a clean and opaque surface ready for new data. This can extend the life of expensive containers for many trips.

The same operation is applicable to paper and hessian sacks, wooden crates and metal drums. It is also an easy way of correcting stencilling mistakes.

More from Lawtons at 60 Vauxhall Road, Liverpool L69 3AC, 051 227 1212.

● ELECTRONICS

Micro-board from Intel

THE latest single-board computer from Intel makes use of its more recent 8085 central processor microcircuit and will be marketed as the SBC-80/05.

It can either be used on its own as a computer in end-user systems or can be expanded with other SBC-series cards of associated electronics to give any desired arrangement. Its low cost and bus structure make it a good choice for distributed and multi-master processing because no extra logic will be needed to implement such systems in most cases.

The board houses 512 bytes of random access memory and there are sockets for two electrically programmable read-only memories to provide either 2000 bytes or 4000 bytes of program storage.

Input and output are provided by 22 lines which can be programmed to transmit in either direction (input or output), or in both. Timing levels for the TTL serial port — and other functions — can be produced by the on-board programmable 14-bit serial timer. There is a four level vectored interrupt system. More from 4 Between Towns Road, Cowley, Oxford OX4 3NB (0865 771431).

● MACHINE TOOLS

Safety chuck for lathe

ON THE latest Monarch lathe to be built in the U.K. an open centre three-jaw hydraulic chuck from Pratt Burnerd International is being fitted. It has been specially modified so that the workpiece is not released if the hydraulics fail.

The chuck is powered by a rotating hydraulic cylinder with a through-centre hole to allow unrestricted passage of bars of cutting fluids. The cylinder, operated from the machine's hydraulic system, works on a semi-hydrostatic principle, and is equipped with a non-return valve as a fail-safe device. Pressure failure leaves the chuck closed.

Designed by the Monarch Machine Tool Co., in the U.S., the general purpose lathe is built by Dean Smith and Grace, PO Box 15, Werth Valley Works, Keighley, West Yorks. (0535 605261).

Powered by a 25 hp motor, providing spindle speeds from 50 to 2500 rpm, the lathe has twin turrets, carrying eight tools in the upper and six in the lower. There is a choice of the General Electric 550 TX standard numerical control, or the 1050 T CNC incorporating a mini-computer.

Available with either 315 mm or 400 mm power chucks with repetitive gripping accuracy within 0.025mm, supplied with either serrated or cross-tenon base jaws, the lathe is capable of turning shafts 900 mm long. Tail stock diameter is 125 mm. The bar feed will take up to 64 mm diameter stock, and the machine will bore up to 50 mm diameter. Feed rates range from 0 to 3,810 mm/min.

Chuck details from Pratt Burnerd International, Park Works, Lister Lane, Halifax (0422 66371).

Casts expensive metals

FOR CASTING expensive, toxic, or reactive metals, an electron beam centrifugal furnace has been developed by Leybold-Heraeus. Its design concept was shaped by the special care needed in alloying and casting the plutonium alloy pellets used to power cardiac pacemakers.

The machine's cabinet is fitted with a glove-box for loading and unloading, while all other steps in the process are remotely controlled from outside the chamber.

Metallic pellets are electron beam melted under vacuum in water-cooled copper crucibles. Pellets of the metals required to make an alloy are held in separate compartments in the crucible. When they have been melted by the electron beam the crucible tilts to bring them together in its centre, and continues rocking to make homogenisation complete.

The alloy is allowed to solidify and the swinging crucible tips it into a gravity moulding crucible below. While the electron beam is again melting the pellet the centrifugal casting mould under the crucible is brought up to 2,000 rpm. The molten alloy is run from the base of the crucible into the spinning mould, and the high "g" forces the metal into every contour.

The maker says that the process has several advantages. There are small sputter losses; slag is automatically removed when the component metals are combined in the swinging crucible, and process time is reduced.

More from Leybold-Heraeus, 173, Greenwich High Road, London, SE10 8JA (01-858 1127).

● POLLUTION

Spraying pests

FOR PROFESSIONAL pest control work, a stainless steel sprayer has been introduced by Wellcome Industrial (Pesticides), Ravens Lane, Berkhamsted, Herts., HP4 2DY (04427 3333).

Called the Hudson Tek, it can be used with all oil solutions, water emulsions and wettable powders, and the complete unit can be dismantled and cleaned without the use of any tools.

Equipped with a short curved brass lance, and a nozzle which can be adjusted to give cone spray, fine fan spray and pin-stream jet, the unit has a one gallon capacity tank, which is pressurised with a hand pump. An injector needle attachment is available for the lance for penetrating wall voids and similar otherwise inaccessible areas.

The maker says the unit can be used as a self-contained sprayer in warehouses, food factories, hospitals, schools, hotels, as well as outdoors on refuse and recreation areas.

● COMPUTING

For time sharing

FOR USERS of the 1100 series of computers, Univac has launched a high volume time sharing system (HVTS) at no charge, allowing the expansion of time sharing terminal systems from 50 to 2,000 units.

The new package will prove most useful to users with a substantial batch requirement who wish to simultaneously handle a time sharing load.

HVTS can be used as a "stand alone" product on an 1100 computer dedicated to time sharing, or in a mixed environment of batch demand and real time applications.

Thus the user of a 262k Sperry Univac 1100/11 would be able to support 50 time sharing users, while a 1100/21 with 393k of memory could support 100. Several hundred could be connected to the 393k 1100/1[illegible] machine using HVTS. Univac is on 01-387 0911.

More on the disc

DOUBLE-SIDED, single-double-density "floppy" disc drives from Control Data, type 9406, provide a maximum unformatted storage capacity of 1.6m bytes of data using IBM Diskette 2 or compatible storage media.

At the same time the company has introduced an enhanced version of its microprocessor controlled flexible disc system, the CDC 9474. Incorporating one or more of the double-sided drives, the new 9474 provides up to 6.4m. bytes of unformatted data storage capacity in a four-drive configuration.

Likely applications of the new units will be in small business computer and intelligent terminal systems, dedicated mini computer system installations and in terminal, word processing and data entry equipment. CDC, 22a, St. James's Square, London, S.W.1. (01-930 7344).

APPOINTMENTS

Construction Industry Training Board (CITB)

CHIEF EXECUTIVE

Applications are invited for the above appointment

The Construction Industry Training Board was established in 1964 by statutory instrument and the membership includes employer, trade union and education members appointed by the Secretary of State for Employment.

The Board's primary concern is to provide a service to the construction industry in identifying and meeting its training needs.

The Board conducts its operations through an Industrial Committee structure representing the principal interests in the construction industry. The Headquarters are at Norbury near Croydon and there is also a number of regional offices.

The Chief Executive must be able:

a) to ensure that the Board and Committees are correctly informed on all aspects of CITB plans, activities and financial matters;

b) to advise the Board and its Committees on all aspects of policy and to co-ordinate the formulation of policy proposals at staff level;

c) to manage the staff organisation and ensure effective working relationships with the Board and its Committees and to ensure that staff activities are cost effective and carried out within approved policies, plans and budgets;

d) to develop and maintain good relationships between the Board and external organisations associated with the construction industry.

Candidates should have a real interest in training and a proven record of success over a period of about five years in a senior administrative appointment in a large organisation. A sound appreciation of the special needs of a statutory organisation and an ability to work successfully with representatives of industry are essential.

The post is pensionable and salary will be commensurate with the exercise of the responsibilities described above and with the candidate's experience.

Please write giving details of age, education, qualifications, career experience and current salary to Leslie Kemp, Chairman, Construction Industry Training Board, Hill Croft, High Street, Heathfield, East Sussex. Applications will be treated in strictest confidence.

TRAVEL

COMPANY NOTICES

NOTICE

City of Oslo 1972/1987 6½% Lux.Fr.800,000,000 External Loan

We advise that the City of Oslo has satisfied the Lux. Francs 25,000,000 Sinking Fund payment due September 25, 1977 in full by credit taken for debentures purchased by the City.

Amount outstanding: Lux.Fr.675,000,000

Luxembourg, July 25, 1977.

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

BEARER DEPOSITARY RECEIPTS REPRESENTING PREFERRED STOCK OF BAXTER/TRAVENOL INTERNATIONAL CAPITAL CORPORATION [illegible]

GOURMET

GALLIPOLI RESTAURANT [illegible]

PERSONAL

[illegible]

PLANT & MACHINERY SALES

Description	Price	Telephone
TWO VARIABLE SPEED FOUR HIGH ROLLING MILLS Ex. 6.50" wide razor blade strip production.	P.O.A.	0902 42541/ Telex 336[illegible]
MODERN USED ROLLING MILLS, wire rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc.	P.O.A.	0902 42541 Telex 33[illegible]
1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control for cutting non-ferrous bar. Max. capacity 5" round or square.	P.O.A.	0902 4254[illegible]
1970 CUT-TO-LENGTH LINE max capacity 1000 mm x 2 mm x 7 tonne coil fully overhauled and in excellent condition.	P.O.A.	0902 4254[illegible]
1965 TREBLE DRAFT GRAVITY WIRE DRAWING machine by Farmer Norton, 27"—29"—31" diameter drawblocks.	P.O.A.	0902 [illegible]
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A.R.M. Max capacity 750 mm x 3 mm.	P.O.A.	0902 [illegible]
1970 TWO STAND WIRE ROLLING AND STRIP FLATTENING LINE with 250 KG Spooler variable speed 60 hp per stand.	P.O.A.	0902 [illegible]
15 DIE MS4 WIRE DRAWING MACHINES 5,000 Ft./Min. with spoolers by Marshall-Richards.	P.O.A.	0902 4254[illegible] Telex 33[illegible]
55 H.P. VERTICAL WIREDRAWING BLOCK x 650 mm dia.	P.O.A.	0902 42541 Telex 33[illegible]
9 ROLL FLATTENING MACHINE 1,250 mm wide.	P.O.A.	0902 42541 Telex 33[illegible]
7 ROLL FLATTENING MACHINE 965 mm wide.	P.O.A.	Telex 33[illegible]
1974 EFCO 130 KW x 24" wide continuous mesh belt conveyor furnace for use with a protective atmosphere.	P.O.A.	0902 42541 Telex 33[illegible]
1 LITTLE USED NEWELL THREE COMPARTMENT COMPOUND TYRE MILL 30' x 6' 6" complete with 500 hp drive, gear box, base plates and guards. The mill is in store in Warrington and may be seen at any time by appointment.	P.O.A.	092-576[illegible] Telex 627[illegible]
TEREX TS14 SCRAPERS series 10500. Serial Nos. B10628, B10619, B10621. Year: September 1976. Fitted with Cummins Engines.	£21,000 each or £60,000 for all three	0283 7903[illegible] Telex 336[illegible]

WANTED

Description	Price	Telephone
MODERN USED ROLLING MILLS, wire rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines etc.		Telex 8951[illegible] 0902 42541/

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Cubitts is busy in London

HOLLAND, Hannen and Cubitts Construction (London) has secured housing work in London worth nearly £4m. One contract involves further work at Thamesmead, where Cubitts has already built 4,132 homes; another is on the Isle of Dogs where the redevelopment area is known as Cubitt Town; and a third involves flats and maisonettes for Barnet Council.

The Thamesmead contract is worth over £1.5m. with completion scheduled for early 1979. Working to traditional construction designs of Sir Roger Walters, chief architect for the GLC, Cubitts will building 113 units in a blend of 3-storey flats and 2- and 3- storey houses. The flats, which will include homes for old people, will be built in blocks of six dwellings around communal staircases.

Further up the Thames, at the Isle of Dogs, Cubitts will complete work originally started by another company. The £1.5m. contract, awarded by the East of London Housing Association, calls for construction of 118 flats and maisonettes plus five shops and a community centre.

Architects for this project are Lee Reading Harbinson; quantity surveyors are William L. Flanders and consulting engineers are Dennis Jubb and Partners.

This part of the Isle of Dogs has been known as Cubitt Town since mid-19th century when William Cubitt established a large joinery works there and developed an industrial trading estate. Even the local pub is named the Cubitt Arms.

The third London project is housing redevelopment in the Brent Bridge Hotel area for the London Borough of Barnet. Under a contract worth about £904,000, Cubitts will complete work started by Davard Construction. The 14-month job involves construction of 81 flats and maisonettes in nine blocks.

£3.4m. worth of housing

TWO CONTRACTS, together worth nearly £3.4m., for housing at Stevenage, Herts., and Lewisham, London, have been awarded to John Mowlem.

The £2.8m. contract at Hertford Road, Stevenage, is for 298 dwellings of traditional construction comprising flats, houses and bungalows. Work has already started and is scheduled for completion in June, 1979.

The second contract—worth over £500,000, is for 35 houses for the Greater London Council at Rowland Grove, Lewisham. In five blocks of seven houses, they will be of traditional construction with brick exteriors and pitched roofs. Work is now starting.

Jobs worth £1.7m. for Tarmac

TARMAC CONSTRUCTION has started work on three contracts worth more than £1.7m. at Warrington, Lancs.

The jobs were awarded by Warrington Development Corporation and include a £769,000 warehouse which will be a single-storey building, with an area of 7,800 square metres, and an integral two-storey office block with 420 square metres of floor space.

The other two contracts involve road works worth more than £1m. in the Winwick Quay and Birchwood areas of the town.

Water plant for Cork

MAHON and McPhillips (Water Treatment) has been awarded a £450,000 contract to supply a water treatment plant by Cork County Council.

The plant is to cater for 68,000 cubic metres of water per day with capacity for expansion to 114,000 cubic metres. Consulting engineer is M. C. O'Sullivan of Sunday's Well, Cork.

Houses and sewers

D. T. BULLOCK and Co. has been awarded contracts totalling more than £1.8m.

Included are 41 houses and flats at Wrekin Drive, Wolverhampton, for the Rugby Housing Association (£420,000), 56 houses and flats at Caldmore, Walsall, for Walsall Borough Council (£600,000), and improvements and repairs to 98 dwellings at Low Hill Improvement Area for Wolverhampton Borough Council (£527,000).

Among smaller contracts are roads and sewers at Lakeside Industrial Area for Redditch Development Corporation (£202,000), and sewers at Dene Road, Rowlands Gill for Gateshead Borough Council (£52,000).

Sullom Voe terminal facilities

GEORGE WIMPEY has been awarded a contract by Foster Wheeler for the erection of off-site mechanical facilities at the Sullom Voe terminal being constructed by BP Petroleum Development.

The contract covers the installation of equipment and pipework up to 60 inches in diameter connecting the incoming pipelines from the Brent and Ninian pipeline systems to the process units, storage tanks and the tanker loading jetties. It has an estimated value of £4m. and is due for completion in October 1978.

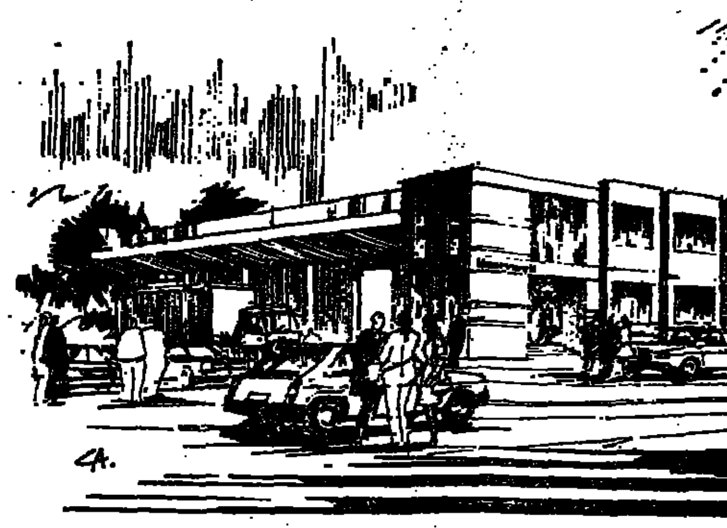
Higgs & Hill award

...T worth over £3m. ...arded to Higgs and ...ngineering by the ...ion Council for the ... of a solid waste ...on at Victoria Road.

...er station is to be ...0-acre site and the ...olves the construc- ...einforced concrete ...ministration block, ...erstructure, tipping ...r and basement. ...ed in the contract is the excavation of the whole site area to remove unsuitable material and then filling to raise the general level. Higgs and Hill will also construct a railway siding and access and service roads, and provide containerised solid waste loading areas, hard-standings and the drainage systems.

Consulting engineers for the contract are Sir William Halcrow and Partners. Work begins in September and will take two and a-half years to complete.

Above: An impression of the new head office to be built in central Manchester for the Co-operative Bank. The £4m. contract has been awarded to Henry Boot Construction and is due for completion towards the end of 1979. The architect is P. P. Craymer.



Right: Artist's impression of a 40,000 sq. ft. warehouse and office complex which is to be built at Bracknell, Berks., by J. M. Jones and Sons of Maidenhead for Honeywell. It will cost over £½m. and is due for completion in the spring of next year.

Office block and factory

A CONCRETE block manufacturing plant is now being built at Cotes Industrial Estate, Alfreton, Derbyshire, for TAC Constructional Materials by Sir Alfred McAlpine (Southern).

The company says the initial tender figure is £1.55m., covering the block-making plant, office accommodation and concrete paving stacking areas. The single storey factory will also accommodate slurry tanks, two towers enclosing sand handling equipment and lime and cement silos. The plant is expected to come into operation in mid-1978.

Managing consultants for this job are Lacey, Roberts, Tonge and Horbury and the architects are Steele Associates.

Sir Alfred McAlpine (Northern) has won some £1.25m. worth of contracts. Largest of these is worth over £988,000 and is for a six-storey office block for the Standard Life Assurance Company in Manchester.

Another contract, awarded by the Central Electricity Generating Board, and worth almost £266,000 is for civil engineering and building works at a sub-station at Pentir, near Bangor, North Wales.

Asbestos waste removed

A NEW asbestos waste handling service is to be offered by Biffa Waste Services.

Waste will be collected in fully enclosed sealed containers each colour coded to ensure instant recognition.

The company says that from the time an asbestos waste collection call is first logged a strictly monitored procedural programme will be followed right through to disposal.

Biffa maintains specially licenced land fill sites which are now fully equipped to receive this type of waste.

Details can be obtained from the company at Kingsmill, London Road, High Wycombe, Bucks.

...ble glaze spacers

...NIT double-glazed ...dow fabricators are ... obtain a range of ... spacers from ...Alcan company. ...sions are offered, ...19 mm wide, with ...r piece mouldings if ...ne maker says that ...cers are more rigid ... spacer tubing in ...am might open in ... is designed to pro- ... aluminium-to-glass ... to support the ... rectangular (5 x 6 mm) section is an option. Wall thickness for all profiles and sizes is 0.5 mm. and the extrusions are normally supplied in 4 metre lengths. Sections are available drilled (for use with silica gel) or undrilled.

Details from Minalex, Madleaze Industrial Estate, Bristol Road, Gloucester GL1 5TS (0452 25062).

Scott Hale wins £1½m. contracts

CONTRACTS totalling over £1½m. have been awarded to Scott Hale.

The biggest is for Milton Keynes Development Corporation and calls for 1.9 kilometres of single carriage-way and includes the formation of a roundabout, five pedestrian subways and a pedestrian overbridge together with associated earthworks and drainage.

Advanced earthworks and drainage and the provision of two further subways in connection with the future dualling of a 0.5 km. section of Grafton Street up to Loughton Road are part of the contract which is worth nearly £1.4m.

Another job is for the London Borough of Harrow and is phase one of the Marsh Lane foul sewer at Stanmore. Value of this contract is £139,000.

Road work awarded to Tawse

WILLIAM TAWSE, a member of the Aberdeen Construction Group, has been awarded a £542,000 contract by the Scottish Development Department for the Scrabster road improvement near Thurso, Caithness.

Work is due to start in August and will take about 14 months to complete. The new road will improve the present narrow approach to Scrabster Harbour which is the mainland terminal for the Orkney roll-on/roll-off ferry.

Tawse has also been awarded a contract at Breasclete, Isle of Lewis, by the Highland and Islands Development Board for pier and roadworks valued at £270,000.

Hot asphalt delivered by aircraft

MOLTEN asphalt at 140 degrees C. is being carried by air to a remote site in Alaska.

The hot asphalt is flown, 5,500 gallons at a time from Anchorage to McGrath, a small settlement 220 miles away.

Loading and off-loading is done by means of high pressure pumping into four tanks in each of the Hercules aircraft being used. It is stated that it takes only 30 minutes to load the 20,000 kilos and the same time to unload it.

The asphalt is being used to pave an airstrip by Alaska International Construction for the Alaskan State Government.

Cementation will give strength

SIX COOLING towers at the Eggborough power station at Goole on Humberside are to be strengthened by gunite under a sub-contract worth about £800,000 awarded by main contractor Bierrum and Partners to Cementation Ground Engineering.

Cementation is to apply 50mm of gunite to the exterior surfaces of the towers and additional reinforcement is to be embedded in the gunite which will give protection against corrosion. The contract is to be undertaken over an 18 month period.

The contract is believed to be one of the largest of its kind ever undertaken and the work is part of a Central Electricity Generating Board programme for strengthening cooling towers and bringing them into line with current design requirements.

Fault-finding service

TO CARRY out quality control and fault diagnosis of the methods and materials used in the building industry, Ground Engineering (a Laing Group company), has established a testing and advisory service called the Petrographical and Industrial Microscopy Section.

The section will use the methods of petrography (study of rock) to make detailed analyses of building materials, from which they will make recommendations to clients—this is said to be important when dealing with aggregates from relatively untried sources abroad.

In cases of deterioration in existing buildings, these tests trace the problem back to source when caused by faulty building materials, for example concrete, aggregates, bricks, mortar or ceramics, and they may also be used to check supposedly sound materials in structures.

Petrographical examinations can be carried out on finished concrete to assess the cement type, to identify aggregates, to determine cement-aggregate ratios and to assess various causes of deterioration, for example carbonation, aggregate-cement reactions, sulphate and chloride attack, and frost action. The section also examines and analyses dust, and carries out dust counts (asbestos and free silica).

Details from Ground Engineering on 01-953 6144.

Needs little maintenance

A LONG-LIFE nickel cadmium battery requiring virtually no maintenance and aimed at applications such as emergency lighting, switch tripping and fire alarm systems has been put on the market by Chloride Alcad.

Called Uniblock, it breaks away from the traditional concept of such batteries which are usually made up from separate cell units. Instead, the battery consists of five integral 1.2-volt cells incorporated into a resilient plastic case containing a relatively large amount of potassium hydroxide electrolyte. The result, claims the company, is that the topping-up interval under average conditions becomes seven to ten years.

The battery, which is easy to handle and has good protection against dirt and corrosion, is available in capacities of 7.5, 12.5, 15.0, and 27.0 ampere-hours at the ten-hour rate. All are in a common case size of 272 x 114 x 275 mm. and the weights range from 6.5 to 10 kg. Connectors can be push-on or bolt-on. More from the company at Union Street, Redditch, Worcs. B98 7BW (0527 62351).

Housing job to Bullock

CONSTRUCTION OF 150 flats and houses in Tolladine Road, Worcester, is to be undertaken by D. T. Bullock.

The £1.35m. project is a package-deal design and construct contract and is to be carried out in conjunction with the National Building Agency for the Artee Housing Society.

Work has now started and the contract is scheduled for completion by the end of 1978.

IN BRIEF

● 14-man team from Tarmac Roadstone at Matlock, Derbyshire, laid 1,009 tonnes in under ten hours while working on the 12 kilometre Ripley-Swanwick bypass in Derbyshire. Tarmac says this is a record. More than 25 lorries maintained a constant supply from three asphalt plants to ensure the operation went smoothly.

● CED Building Services, a branch of Redpath Dorman Long's Building Division, is to build a 2 storey medical centre at Scunthorpe for British Steel Corporation.

● Specially designed electro-pneumatic test rigs have been installed by SIT (U.K.) Gas Controls in Birmingham to enable the company to be independent of its Italian parent company for all testing requirements. The rigs will also provide a diagnostic service for customers.

● An £825,000 contract to build the Townsend mill at Stroud, Glos. has been awarded by RHM Agricultural to Christy and Norris. The original plant was damaged by fire last year.

The main London office of White, Young and Partners, has moved from Putney to Albert Bridge House, Albert Bridge Road, London SW11 4PL (01-228 6471).

● ARC Concrete of Ashby Road, Shepshed, Leics., has won an order valued at more than £100,000 to supply precast concrete pipes for a sewerage scheme in Cumbernauld, Scotland. The main contractor is Jacksons (Edinburgh).

The union rank and file will determine Healey's gamble

BY DOUGLAS JAY

WAS MR. HEALEY right to announce on July 15 a whole series of tax concessions and price controls when he had received no assurance of pay restraint in return? Why should the Government maintain dividend control, price control and food subsidies if there is to be no corresponding pay restraint? Why indeed should everyone expect a rise in money wages every year.

The alternative course would have been for the Chancellor to say that he can offer no further concessions until a pay agreement is secured, and leave the TUC conference in September to say Yes or No—with the clear understanding that if it says No, the strictest monetary and budgetary restraint would be imposed. Ministers might perhaps have been wiser to make clear last winter that they intended to use such restraint if necessary, rather than appear to sit back and allow the governments of the country to fall into the hands of a series of trade union conferences. Governments nowadays have rather more economic levers in their hands than seems to have been realised in recent months.

The one thing a government cannot do is to prevent prices rising if pay is increased too fast. But it can do all the following things. It can hold the quantity of money to a limit set by the IMF or by itself and influence interest rates. It can maintain a strict budgetary policy. It can stick to cash limits in the public sector, and make it clear that wage settlements by public authorities will be held to a low maximum except where there is a compelling reason to the contrary.

The present Government has unhappily been driven off this rigorous policy, not by any rational economic argument, nor by the TUC, but by the ordinary troops in the trade unions who —through no fault of their own —do not understand the consequences of their votes. For in the brave new world of the 1970s, trade union "leaders" (as they used to be called), who understand the realities, no longer take decisions, but are over-ridden—as has finally happened to Mr. Jack Jones— by mass votes at conferences which are not accountable for the consequences of their actions.

The hard underlying facts, which so many are now ignoring, and ignoring at our peril, are these. First, if pay rates rise faster than production over the whole economy, prices generally must rise, whatever the wretched Government may do. Secondly, the real living standards of the country are determined by the amount produced and imported, and pay and prices must adjust themselves to this and not the other way round. Third, that the rise in world oil prices and the Common Agricultural Policy have forced a fall in UK real consumption in the last two years, which no juggling with prices and pay can alter. And finally, a pay spiral in these circumstances can only force up both prices and unemployment.

> "A great and precious opportunity has been missed this year of establishing a firm, civilised and lasting incomes policy which could have ensured full employment, stability and growth."

It is not the fault of rank-and-file trade unionists if they don't understand these truths. Apart from the Prime Minister at last year's Labour Party conference, nobody has been trying to explain them—neither the Government nor Parliament nor most of the Press. In the late 1940s, under the inspiration of Stafford Cripps and Herbert Morrison, we had a sustained economic information campaign, based on the Annual Economic Surveys; and what now looks like remarkable stability and high employment were achieved. To-day we have little more than party controversy in the political field and demagogic exaggeration at the place of work.

In conditions where a pay explosion has started a price spiral, as in 1974-77 in the U.K., a government can broadly follow three courses. First, it can abandon pay policy, as rates shoot up, and pump out sufficient purchasing power for every potential worker to be employed at the higher rate. This in our case would with arithmetical certainty lead to accelerating price inflation and repeat in 1979 the disastrous events of 1975—from which we should then recoil and face an even longer period of recession and unemployment. Secondly, the Government, if it despairs of pay restraint, can impose all the monetary and budgetary curbs mentioned above without any understanding on pay. This in 1978 would probably provoke damaging strikes and almost certainly higher unemployment as labour priced itself out of the market. But it would at least throw the responsibility for unemployment and rising prices where it belonged: on reckless use of "free collective bargaining."

A government's moral case for adopting unilateral restraint is all the stronger if it has done its utmost, as this Government has, to reach a continued understanding on incomes policy. It is entitled to say: "We are always ready for an agreement; the responsibility is yours." But what Mr. Healey has in fact done is to compromise—in true British fashion—by giving half the concessions he would have given for a genuine pay agreement, but without getting it; and declaring that he will at the same time impose most of the brakes which he still holds in his hand.

Will this work? The serious arguments for it doing so are two. First, the alternative of tough unilateral government restraint risks direct confrontation, strikes, unemployment and lower growth simultaneously. Secondly, perhaps the income-tax, child benefit, price control and other "sweeteners" will psychologically moderate pay claims and discourage strikes. I am frankly sceptical about this latter argument. One of Ernie Bevin's sayings was: "A rise is all right, till you get used to it." And all budget history shows that a Chancellor's concessions are usually forgotten in two days. Indeed, this time the miners and railwaymen announced farcical pay claims before they had even had time to read what he said.

But if such claims are not moderated, last week's concessions will only make the situation worse and the rise in prices steeper. And the Chancellor's gamble carries of course yet another major risk: that if strikes break out and unemployment worsens next winter, the Government will weaken its own controls, and the whole economy slip back towards the inflationary precipice of 1975.

Let us hope the gamble will succeed. At any rate the responsibility now rests almost entirely on the rank and file in the unions, who control their leaders as effectively as the legendary "leader" in the French Revolution was controlled, who said: "I have to follow that crowd: I am its leader." Nevertheless a great and precious opportunity has been missed this year of establishing a firm, civilised and lasting incomes policy which could have ensured full employment, stability and growth.

The events of the past two months have, I fear, materially strengthened the argument of those who maintain that "free collective bargaining" has become a menace to our whole political system.

FT GROCERY INDEX

Plummeting fruit and veg. prices pull down the cost of shopping

BY ELINOR GOODMAN

THE REMORSELESS rise in the cost of the Financial Times shopping basket ceased in July as lower fresh food prices brought a fall in the total bill for the first time since last summer.

The Index, which last month reached 266.58, fell by just over 3 per cent in July to 258.48. This is its lowest level since March and means that the Index has risen by 19.27 per cent since last July.

The indications are that the increased level of price cutting, stimulated last month by Tesco's launch of its new cheaper pricing policy, has continued in July though some of the products featured in last month's promotional campaign—such as tea —have gone up in price.

The Index, which is not seasonally adjusted, usually shows a sizeable fall in July but last summer the seasonal decrease was smaller than in previous years because of the effect of the very hot, dry weather on crops.

This July's fall was almost entirely due to cheaper prices for fresh foods. The dairy, and sugar and beverage, categories again showed big rises.

The largest fall was in the bill for fruit and vegetables, which plummeted by over a quarter. Nearly all the vegetable prices monitored by the 11 FT shoppers had fallen with potatoes, at between 5p and 7p a pound, costing half last month's price and cauliflowers and onions down by a third.

The only exceptions were apples which had gone up by 1p or 2p a pound in several shops. Good cooking apples were difficult to find.

The total bill for meat also fell fractionally reflecting plentiful supplies and relatively low seasonal demand. More surprisingly, the bill fo[r] items like deter[gents] declined this month of numerous special

Against this be prices in the dair which had fallen again started climbin Eggs, which had cuts of up to 13p a d were costing betwee more this month wh of butter, which h tremely heavily p June, also eased ba in some shops.

The 3p a pound increase resulting fr ing out of Governm sidies had not, ho its toll in the shops when the shopping

The withdrawal of sidy on a loaf of was due to take shops last Monday, in some shops.

But about half markets in the sur taken advantage of in the statutory ma and were selling same price—or les month.

The other big inc the sugar and soft gory. This was la further increases in tea and coffee.

In spite of anot turers' increase, 11 supermarkets m held their coffee pr last month's level. shops the price had as much as 32p.

FINANCIAL TIMES SHOPPING BASKET
JULY 1977

	July £	June £
Dairy Produce	135.87	131.49
Sugar, Tea, Coffee, Soft Drinks	84.98	79.87
Bread, Flour, Cereals	84.59	84.19½
Preserves and Dry Groceries	78.83	77.60
Sauces and Pickles	14.04	13.71½
Canned goods	48.56	48.00
Frozen foods	41.04	40.13
Meat, Bacon, etc. (fresh)	169.82	169.87
Fruit and Vegetables	98.93	137.05
Non-Foods	53.29	53.95½
Total	763.94	787.87½

INDEX: 258.48

1971: Feb. 100; Mar. 101.09; April 102.73; May 105.75; June 108.00; July 107.24; Aug. 105.40; Sept. 105.26; Oct. 104.35; Nov. 105.48; Dec. 108.26.

1972: Jan. 109.18; Feb. 109.10; Mar. 109.24; April 106.04; May 109.34; June 115.97; July 111.97; Aug. 113.40; Sept. 112.14; Oct. 113.15; Nov. 11: 114.8; Nov. 18: 114.49; Nov. 25: 114.72; Dec. 2: 114.72; Dec. 9: 114.75; Dec. 16: 115.77.

1973: Jan. 117.56; Feb. 119.25; Mar. 120.53; April 123.80; May 125.57; June 128.81; July 127.64; Aug. 126.59; Sept. 129.39; Oct. 133.83; Nov. 135.83; Dec. 138.26.

1974: Jan. 141.41; Feb. 141.52; Mar. 142.66; April 8: 143.23; April 29: 142.64; May 145.17; June 147.97; July 144.22; Aug. 145.25; Sept. 147.6; Oct. 150.5; Nov. 156.39; Dec. 159.15.

1975: Jan. 162.84; Feb. 167.77; Mar. 173.50; April 178.49; May 183.41; June 193.02; July 188.45; Aug. 189.23; Sept. 186.64; Oct. 189.79; Nov. 194.78; Dec. 201.90.

1976: Jan. 208.33; Feb. 211.81; Mar. 216.60; April 222.43; May 226.78; June 222.82; July 216.71; Aug. 221.34; Sept. 230.34; Oct. 227.28; Nov. 241.53; Dec. 244.82.

1977: Jan. 251.03; Feb. 253.96; Mar. 254.27; April 258.92; May 263.34; June 266.58; July 258.48.

FT SURVEY OF CONSUMER CONFIDENCE

Worries over strikes and jobs l[ead] to an increase in pessimism

BY ELINOR GOODMAN

WORRIES ABOUT STRIKES, and increased concern about unemployment, made people more pessimistic at the beginning of July than they had been a month before.

The latest survey of consumer confidence, carried out by the British Market Research Bureau for the Financial Times, shows that the more optimistic trend evident in April was reversed in July, though people were still feeling more confident than they had been in the spring.

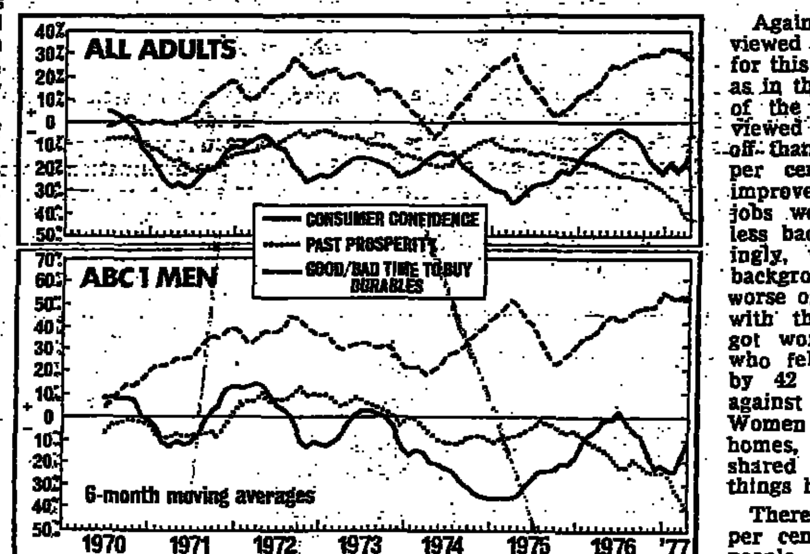
Against this, the proportion of respondents thinking it was a good time to buy consumer durables stayed at about the same level as in June, while more people were feeling better off as compared with a year ago than at any time since October.

The interviewing was done from July 7-13 when the Grunwick strike was attracting maximum publicity, but before the Chancellor's recent statement on wages and prices. The troubles at Grunwick probably accounted for the increased number of respondents who cited strikes as a reason for pessimism.

In June, the research shows a marked upturn in consumer confidence, with those expecting things to grow worse outnumbering those who expected things to get better by only 3 per cent. In July, however, there was an increase in the number of people expecting things to get worse, and pessimists outnumbered optimists by 8 per cent.

This pessimistic view about the future was shared by men in all occupations and women in manual jobs. Only women from professional homes, who tend to take a more gloomy view about their financial prospects than men from the same background, express the same view in July as they did in June, with pessimists outweighing optimists by 9 per cent.

Though fears about inflation remained the most frequently



mentioned reason for pessimism, it was cited by fewer people than in June. That reversed a trend seen since the beginning of the year. Against this, more people blamed strikes and unemployment as the cause of their gloom than in previous months, with 19 per cent. mentioning strikes in July as against 4 per cent. in June.

The six-month moving average figures for both All Adults and men-in-non-manual-jobs stayed about the same as in June, reflecting the fact that in general people are taking the same view about the future as they were seven months ago.

In the same way the six months moving average figures for "past prosperity" has shown little change on last month despite the increase in July in the proportion of people feeling better off compared with a year ago. Whereas in June 55 per cent. of the sample thought they were worse off than they had been in June 1976, this month only 52 per cent. thought themselves worse off than last summer.

At the same time, the proportion of all respondents feeling they were better with a year ago ros cent. in June to 1[...] July. This meant portion of people off in July outnu feeling things had 33 per cent. in Ju 37 per cent. in J the lowest figure s

Again, it was th viewed who were for this brighter pi as in the June onl of the professiona viewed said they off than a year ag per cent. thought improved. The men jobs were also fe less badly off, tho ingly, women fro background were worse off than the with those feelin got worse outnum who felt things h by 42 per cent. against 36 per c Women from homes, on the shared the men's things had improv

There was an i per cent. in the people thinking it time to buy ma the house, mainly the markedly m feeling expressed women. People in continued to be enthusiastic about ability of making chases than families. But the adults still shows balance of 25 pe think it's a good t money.

Bid to kill coffee margin curb

BY OUR CONSUMER AFFAIRS CORRESPONDENT

FOOD RETAILERS are to see the Department of Prices to-day in an attempt to kill the Government's proposals for controlling cash margins on coffee.

The Retail Consortium will concentrate its attack on the impracticality of the Government's plans, but while the argument will be on a technical level, the consortium clearly regards the *whole principle* of cash margin controls on retailers as being at stake.

The consortium wants to kill these particular proposals in the hope that, by doing so, it will also demonstrate the impossibility of curbing cash margins on any product sold in the shops.

Ten days ago, Mr. Roy Hattersley, Prices Secretary, announced that he intended pegging retailers' cash margins on coffee—probably at about 8p for a 4 oz jar of instant coffee.

His decision followed the publication of the Price Commission's report on the coffee market which showed that though distributors' gross percentage margins on coffee had not increased, their cash margins had risen as the price had gone up.

Mr. Hattersley is proposing using his powers under the 1974 Prices Act to implement this new control on margins.

Until now, these powers have only been used in relation to products receiving a Government subsidy.

The retail trade is worried that once the principle is established on coffee, Mr. Hattersley may decide to place similar controls on other products. This, they argue, would play havoc with their profit mix.

The consortium will tell officials at the Prices Department to-day that there is no way a retailer, who gets deliveries of coffee once a week or more, could tell whether he was keeping within the letter of the proposed controls.

They will claim that, given the rate at which manufacturers' prices are going up, a shopkeeper has to average his buying-in price when calculating his selling price. This means that his cash margin may vary markedly on identically priced goods on the same shelf.

Aware of Mr. Hattersley's need to be seen to do something about coffee, the consorti[um] gest that rather tha[n] cash margins, the should consider usi[ng] other weapons.

The obvious alter[native] be to impose a st[...] mum price.

This would be les[s] many supermarkets the maximum price high enough to prices necessarily cl[...] smaller shops, it high to act as a rea[...] those shops which buy their coffee or and sell it at lower

LOB claims that its new brief will not mean a ... of former policy. Sue Cameron reports

...cating a wider role

LAST 14 years the ... Offices Bureau has ...ing businessmen to ...efore London office ... your company to ... now it seems that ... tiny staff has been ... at its entire opera...rse.

...bureau was set up ... number of com... ng into central ... increasing so fast ... hile it looked as if ... transport system ... ught to a grinding ... h new office space ... rovided each year ... xtra 15,000 people ... already congested

...time the crisis has ... reversed, some ... argue. The num...ers travelling into ... on each day has ... ed to fall and as ... Location of Offices ... been given what ... be an entirely

...ade

... asked by the Gov...y to persuade more ... companies to set ... quarters in Britain ... practice will often ... ral London—and it ... told to "promote ... nent" in inner city ... ling the London ... first sight, it looks ... au, having success... no fewer than ... workers out of ... now have to start ... yone back in again. ... au itself has a staff ... of only 14 this ... ething of a Her... And even if the ... ch larger, it would ... he LOB's sudden ... ne must create a ... ibility gap in the ... st businessmen, to ... gh its own forceful ... in the past — the ... own only for its ... own" image.

Anthony Prender... ...n of the bureau, ... his organisation is ... about-turn at all ... extending its pre...s. He points out ... h he and his staff ... ven two new tasks ... ave not been told ... uraging companies ... of London. ... hat much of the ... isting data and ... ill be invaluable ... es to building up office employment opportunities in inner city areas. And it says that although some of the less prosperous inner London boroughs will be included in the inner city promotion, the city and the West End of London have been specifically excluded from this side of the operation. He claims that the only really new departure for the bureau will be in persuading international concerns to set up their head offices in London and other parts of the U.K.

Mr. Prendergast's main worry at present is money. The LOB's annual report which came out last week, shows that it is running on a budget of just over £200,000. He reckons that if the bureau is to do its new job properly it will need approximately double.

Because the staff is so small the LOB has always relied heavily on advertising. It is probably best known for its campaign on the London underground, which seems to have had considerable impact. For the sake of economy the bureau has followed a policy of buying advertising "in bulk" but rising costs have meant a considerable erosion of purchasing power. The annual report notes that the publicity department's share of the bureau's total budget has remained steady at around 39 per cent. But it warns that costs could rise by up to 30 per cent next year and this would mean a "giant" cutback in buying capacity.

Apart from the publicity department, the bulk of the bureau's work falls on the shoulders of the location officers and the researchers. There are two full time location officers although two other members of staff can be brought in to help deal with clients when necessary.

At present the location officers have a caseload of 300. Initial inquiries can be answered by post or by phone but clients who come to the LOB's own offices often need up to two hours of a location officer's time. Some want general advice and a wide range of possibilities have to be talked through, while others have fairly fixed ideas as to where they would like their offices to be. Yet Mr. Prendergast says that even those who come in asking about a particular town often go away with quite different ideas once the location officer has given them other, possibly cheaper, alternatives.

The task of replying to queries and advising companies is made easier by the bureau's excellent information system. The LOB has a series of wall maps and files which enable people to see at a glance how much office space is available in a particular town, how much is still under construction, how much it costs per square foot, how far the town is from London and how near it is to an airport.

For instance it takes only a few moments to discover that rent levels per square foot are currently running at £2.50 in Hastings, £3.50 to £4 in Swindon, £6.50 to £8.05 in Croydon and £4 in Sheffield. In addition to this there are files on all the towns in the country and these give a brief but instant rundown on such things as population, main industries and commercial interests, transport and communications, housing, schools and staff recruitment prospects.

All this information is collated and updated by one member of the bureau's staff. Some of it is sent in by local authorities and estate agents, some of it has to be carefully collected from such sources as newspapers. Mr. Prendergast emphasises that all the existing data will be invaluable when the bureau takes on its new, extended role.

New tasks

The first of the bureau's new tasks, attracting multinationals to Britain, is not going to be too easy, he says. For one thing it is often cheaper for a company to set up its European headquarters on the Continent, perhaps in Switzerland or Belgium where tax regulations are much more favourable than in the U.K. On the other hand the LOB reckons there are a number of "real plus points on Britain's side" and it is planning to stress these in its forthcoming promotion.

The common language is particularly attractive to North American concerns and London, with its parks, its opera houses and its 40 theatres, is not a difficult city to sell. At the same time the bureau will be able to point to the Government grants that are available for companies that consider setting up their headquarters in an assisted area outside London.

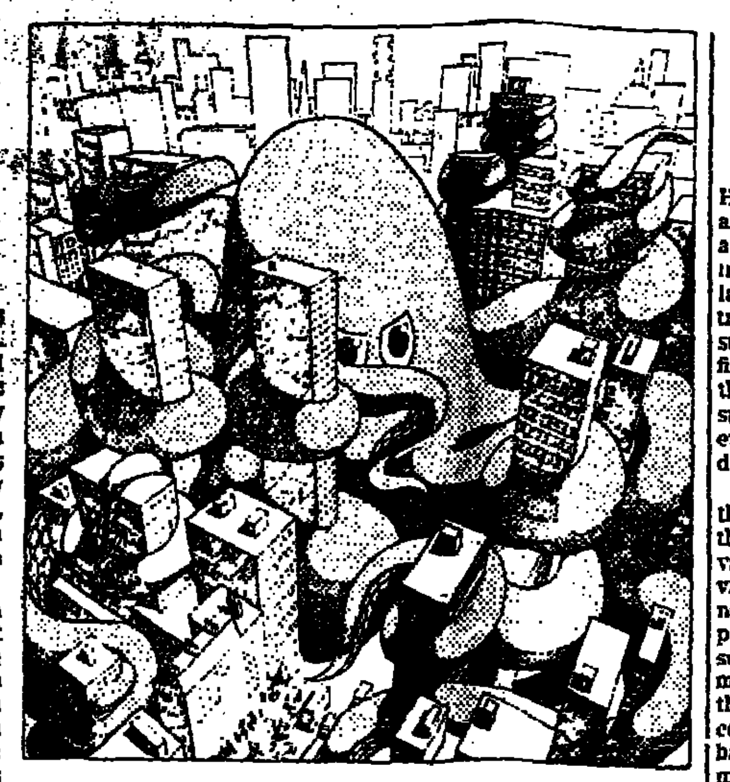
The bureau intends to promote Britain to the multinationals via advertisements in international and trade magazines. It also expects to take part in U.K. trade missions to foreign countries and to forge strong links with British embassies abroad.

As far as encouraging organisations to move to inner city areas is concerned, the LOB will again rely on advertising and on its existing liaison with the local authorities. Mr. Prendergast points out that the bureau cannot do much more than act as a central intelligence service. Much of the work must be done by the towns and cities that are themselves anxious to revive their decaying centres.

Apart from anything else the local authorities usually have more money to spend than the LOB—even in these straightened times. Greater Manchester, for example, has allocated £1m. to promoting itself. Mr. Prendergast feels that in terms of increasing employment in inner cities, sums like this are well spent. When a company moves its offices to another town, it has a ripple effect on the job market there. Local people are needed to clean and service the office itself, the local construction industry may receive a boost and local shopkeepers and tradesmen benefit from the influx of office workers.

Mr. Prendergast stresses that the bureau will still continue to encourage companies to move their offices out of London—and not only to inner city areas. He adds that even if this were not part of the LOB's remit, it would probably still have to do it.

"Now that we have been asked to persuade the multinationals to come into central London, we shall have to ensure that there is room for them," he says. "And that means continuing to persuade those organisations that do not really need to be in the heart of the capital to relocate their offices somewhere else."



Cut loose before London office costs squeeze your company to death

EXECUTIVE HEALTH — BY DR. DAVID CARRICK

Lesions gained at leisure

Ionicus

"he butted me into the river"

HEALTH and safety at work are matters of prime importance, and the 1974 Act legislating on the subjects was laudable. Yet, in most industrial enterprises (excepting such pursuits as taming oil-rig fires or breeding piranha fish), the number of injuries sustained at work is far exceeded by those gathered during "leisure" hours.

Every Monday in winter-time the halt and the lame gather in the surgeries to show off their various injuries occasioned by violent sporting activities, notably rugger and soccer played on rock-like pitches. The summer produces a variety of mild to serious lesions such as those resulting from the violent coming together of hard cricket-balls and soft heads, plus pulled muscles and insulted cartilages: also the tennis brigade with their swollen elbows and painful backs. Unfortunately, soft tissue injuries, although quickly sustained, are notoriously slow to heal and no treatment will hurry them.

Sports as seemingly innocent as golf and fishing also produce casualties, some being of a surprising nature. Once, when on holiday, I was persuaded to go to a golf course to attend a plus-foured player who had broken a leg. Having applied a splint, I drove him to the local hospital. During the journey I asked the glum patient how he had done such a thing. The man was strangely reticent which made me even more inquisitive. "It may be a savage game," I said, "but unless someone struck you with a club, I cannot see how you could sustain a Pott's fracture."

To my surprise he burst into tears. "No! No!" he sobbed. "It was all my own fault. Having sliced my ball a dozen times I lost my temper and . . . Well, I threw my club away. Of course it was just my rotten luck that it flew in the air and lodged in an oak tree. They cost a lot so I shinned up after it; but how was I to know that a branch was rotten? Should I sue the golf club?"

Then there was the dishevelled man who squelched in to see me soaking wet and covered in aquatic weeds. He was also bleeding profusely from a thumb in which a fish-hook was firmly embedded. It was very difficult to extract and the angler fainted twice during the operation which made me very sorry for him. When we both had recovered, he helped me mop up the blood and water and said he must rush back as the fish were biting well, but this time he was going to the opposite bank of the river. "Surely," I said, "you can run hooks into yourself on *either* side of the river?" He was quite indignant. "It wasn't my fault," he retorted, "it was a ruddy donkey. Sneaked up, he did, and pinched my sandwiches. And when I whacked him he butted me into the river." Off he went leaving me to wonder which was the bigger ass.

Although these examples are somewhat exceptional, there is a lesson to be learnt from them. The golfer was no expert and lacked self-control: and the angler should have known that Jock-donkies are as insatiable as they are jealous of anything that looks like a rival. As to the other sports injuries, some are obviously unavoidable: but when one sees the same patients appearing time and time again, it is clear that they lack expertise or, to be more charitable, are sadly lacking in practice and would be well advised to take up some less exacting pursuit—or, at any rate, improve their techniques and take matters less ferociously.

It is not my intention to belittle the value of good, healthy exercise, unlike the 19th Century cynic, Chauncey Depew who said: "I get my exercise acting as pallbearer to my friends who exercise."

No, let them all enjoy themselves with reasonable care so they do not have to be repaired so often—for their own sakes as well as for mine.

...ST OFFICE PROBLEM

...y Carter report casts ...bt on pension funding

...HORT

...t report on the ...ved to be a con...ent when it was ... week and the ... Post Office pen...was no exception. ...ed little comment ... the more radical ... recommendations ... of the pension ...oubt on current ...tice and dealt ... that is causing ...ethink methods ... established for ... arose, as it does ...-established pen... n the deficiency ...e need for back ...nce in defining ... If the pension ...o total service, ...ce prior to the ...he scheme, then ...omatic deficiency ...ntributions and ...ome have been ...espect of prior ...ice the Govern... to settle this ...t Office had to ...l of paying it off.

...ck by the report ...nment's refusal ...ent to the pen...is subject has ... in detail before ...lot of substance ... arguments. But ...n to attack the ...ecision to pay ... from current ...by imposing a ...mers that it con...ry. In so doing ...hole concept of ...s.

...s that employees ... make contribu...arranged basis ...s that will be ...e. The funding ...ufficient so that ...ted investment ...sion scheme is ...pendent of the ...pect of benefits ...e. For private ... is essential and ...ch practices was seen when Rolls-Royce failed. The pension scheme was completely solvent and able to pay out the value of accrued benefits in full to the employee members of the scheme.

But such a practice leads to the build-up of a very large fund which grows as the liabilities grow. No ongoing pension scheme has yet reached a stable situation with incomings and outgoings in balance. Finance directors tend to regard pension schemes as having an insatiable appetite for cash. The report refers to a useless immense fund.

But even though the fund is large with a strong positive cash flow, if the actuarial value of the liabilities on a discounted cash flow basis exceeds the value of the assets, then the fund is technically insolvent and for a funded situation the practice has been to pay off this deficit on a formal basis. The usual move is to fund it over 20 years, although any period could be used, and this is what the Post Office is doing. This, the report states, is completely unnecessary and is imposing a burden on current users.

It maintains that there is no possibility that the Post Office business will cease to exist, so that there is no need to fund for future liabilities. This argument by itself has a strong degree of validity and the civil service pension scheme operates completely on a pay-as-you-go basis with current pension payments coming out of current revenue.

But the big weakness of pay-as-you-go is that there is no financial discipline over pension payments, which will steadily increase as a scheme matures so that the burden of payment is thrown on future generations of users. If the Post Office scheme was on a pay-as-you-go basis then a future report might well have condemned the adopting of such practice as imprudent.

The report accepts the dangers of such a situation and instead proposes the adoption of a partially funded situation. This is a compromise that actuaries are usually willing to accept providing the definition of partial is made clear. The danger is that when conditions are tough the company would be tempted to increase the level of deficit. But the report proposes that the contribution rate should be fixed at 20 per cent. so that the charge to users would remain constant between generations.

Compromise

This is an acceptable compromise, providing the deficit is kept within bounds, for a nationalised industry scheme where in the last resort the Government can underwrite it. But it would have been more acceptable if the report had backed its recommendation by some projections to show that the deficit was kept within bounds. The actuarial profession is giving a lot of thought to the possibility of partial funding, especially of pension increases in the course of payment. But the Government may have other ideas on fund solvency when the Occupational Pension Board reports on this subject. There are inherent dangers when a private company scheme moves away from a funded situation.

The other problem of partial funding arises from future intentions of the Government which may well bann partial funding of pension schemes. Already it is a condition for contracting-out that the assets must fully cover the Guaranteed Minimum Pension part of pension liabilities.

The report comments that if this is so the regulations should be changed, but this shows a lack of understanding of Government pensions thinking. In addition, the Occupational Pensions Board has been told to review the whole position of pension scheme security and, if necessary, recommend legislation to strengthen that security.

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A first step to tax truth

THE AUTOMATIC adjustment of the starting points and main thresholds of the tax scale to take account of inflation has been advocated for many years by authorities who agree on little else.

It has actually come into force in many countries and was recommended by the independent OECD Report *Towards Full Employment and Price Stability*. It has even attracted high level support among the Chancellor's advisers. But it took the threat of another Government defeat to persuade Treasury Ministers to accept the amendments to the Finance Bill enacted in Committee to link the personal allowances to the rate of inflation in the calendar year preceding the Budget.

Pave the way

Indexation is not a magic formula for reducing taxation without reducing spending. What it does is to prevent the Government from increasing the tax burden by stealth through the automatic effects of inflation in bringing more and more people into higher and higher tax brackets. So far from losing freedom of manoeuvre, the Chancellor can still at any time propose to the House any tax changes he thinks necessary. Indeed the whole purpose of the amendment by Mr. Nigel Lawson to the original Rooker-Wise proposals was to make this clear and thus pave the way for the change. But under an indexed system the Chancellor must be open about his intentions. Moreover, he will no longer be able to present spurious "tax cuts" which, as has been the case with Mr. Healey, did not even offset inflation and actually left the taxpayer worse off than in the previous year.

It is sometimes alleged that indexation actually underwrites inflation. This may be true of badly drawn up cost of living clauses; but certainly does not apply to indexed tax adjustment; and experience in other countries does not suggest that indexation is an all or nothing affair. Under the traditional system the Chancellor receives a revenue bonus with the ugly name of "fiscal drag" which enables him to finance higher public expenditure automatically. The wage earner is well aware of the resulting squeeze on his personal income which he is naturally tempted to offset in his wage claims. The authorities have then either to finance these through the printing press or see unemployment go higher.

Tax indexation cannot, however, stop with the present Finance Bill. Just as the yield of personal taxes rises with inflation, the contribution of consumer taxes falls because of the specific duties on drink, tobacco and oil. It would be surely reasonable for the Chancellor to provide in his next Budget for the automatic and gradual adjustment of the specific duties in line with inflation to avoid the sudden impact on the cost of living of occasional discretionary changes which caused so much trouble in the case of petrol.

Once Parliament has gone thus far, it would be logical to extend indexation to the higher rate bands and to capital gains. There will always be differences of opinion on the correct scale of progression and the legitimacy of higher awards. A man with two children earning £7,000 in 1964—which was then a typical salary for a Civil Servant just below top level—would have had to earn £44,000 at the end of 1976 to obtain the same real take-home pay.

The pros and cons of this erosion would have been debated in Parliament under an indexed system. Instead they were brought about partly by stealth and partly because Chancellors were trapped by the presentation problems of an inflation-blind system. Chancellors run the risk of the odium and union ill will following apparent "tax concessions to the rich" while the supposed beneficiaries, including those at middle management level, knew that their burden was actually increasing.

The argument

There are many other thresholds and ceilings for different kinds of tax relief or social security benefit, the adjustment of which takes up time which could be put to better use. These are matters for consideration in future Finance Bills. The great argument for indexation is that people will feel less dependent on the discretionary acts of politicians and more confident that their incomes are their own unless Parliament for good reason decides otherwise. The first vital steps have been taken but they need to be followed by others.

Troubles ahead for Sri Lanka

ONE OF the first acts of Mr. Junius Jayewardene, who took over this weekend as Sri Lanka's *new Prime Minister, was to* impose a curfew in the central provinces to prevent the spread of violence. It is scarcely an auspicious start for his government. *His victory* over Mrs. Bandaranaike and the Left-wing parties in the general election was predictable, but his majority is embarrassingly large. Mr. Jayawardene, 71, is an old-school conservative and friend to the business community and rural landowners.

For tactical purposes during the campaign he adopted many of the socialist slogans of his rivals and outbid them in offering new welfare schemes. The rout of Mrs. Bandaranaike's Sri Lanka Freedom Party and of her former Communist and Trotskyist allies in the Government means that the Left has no longer any Parliamentary outlet for its grievances—this in a country where Parliamentary institutions were threatened six years ago by an insurgency from the radical Left. The official opposition in Parliament to Mr. Jayawardene's United National Party is now the Tamil United Liberation Front, whose goal is a separate Tamil state.

Tamil claim

The Tamil problem will be one of the most immediate issues before Mr. Jayawardene, though not necessarily the most serious. The basis of the claim to a separate state in the north is that there was a Hindu Tamil kingdom in Ceylon when Europeans invaded the island in the 17th century.

Nonetheless about half the Tamil community — which account for about a third of the island's population — are labourers brought from India to serve on the once British-run plantations. Mr. Jayawardene will hope to win them over by concessions on citizenship and residence. Towards the hard-liners he will take a tough stance. In this he can expect to have the support of India, which with its own problem of Tamil demands for autonomy in the south is not likely to welcome a separate Tamil state in Sri Lanka.

The more difficult problem before the new Prime Minister is the economic legacy left by Mrs. Bandaranaike. The cheerful notes are the bumper rice crop this year and the *rise in* the world market price for tea. Otherwise the outlook is bleak. Inflation is running at an annual rate of over 30 per cent., more than a fifth of the work force is unemployed, welfare payments are absorbing over a third of the budget, and there has been virtually no private industrial investment. Payments on foreign debt are absorbing over 20 per cent. of foreign exchange receipts.

Western aid donors at their meeting on Sri Lanka this year made it clear that they were ready to increase support if the Government would expand its investment programme and prepare suitable projects for financing. This is the type of opportunity that Mr. Jayewardene cannot afford to let slip.

The election result fits the pattern of rejection of established governments on the subcontinent this year. It possibly reflects a widespread disenchantment with the achievements of the post-independence generation of rulers. Noticeably, however, there are few young men amongst their successors in power.

Strong powers

It also raises the issue of where to strike the balance between the firm government necessary to accomplish change and the assertion of democratic rights to prevent abuse. Mr. Jayawardene has spoken of introducing a presidential system in Sri Lanka. He will certainly need strong powers if he is to take unpopular decisions over cuts in welfare payments or hidden government subsidies. But equally he needs to avoid the faults of corruption and misuse of patronage that played a part in the downfall of Mrs. Gandhi, Mr. Bhutto and his opponent Mrs. Bandaranaike.

OPENING FOR COMPONENT EXPORTERS ● BY TERRY DODSWORTH

The Detroit car acquires a European accent

AMERICAN and European car designers are on converging courses for the first time since the Second World War. Breaking the rule of silence about new models which Chief Executives impose upon themselves, Mr. Henry Ford has recently revealed some *intriguing details about* a vehicle due to be launched in 1981. The car, already under development, is the replacement for the Escort. It will be made, Mr. Ford said, in both Europe and America, and it will have front-wheel drive.

Although Mr. Ford carefully indicated that the *two vehicles* would not be exactly the same on both sides of the Atlantic, he made the direction of the company's thinking quite clear: "We are going to move to front-wheel drive. General Motors has already decided to do so. We will probably follow suit shortly. We shall need front-wheel drive to give the public enough space inside the cars, as Americans are used to, while reducing the outside size of the cars.

"What we need is cars like the Fiesta, slightly larger but not by much. And, since it is too expensive to import our cars from Europe, we will have to build them here."

Mr. Ford's forecast suggests that within the next ten years a significant proportion of the parts *in an American car*, as well as the body shell of the vehicle itself, will look and behave much more like European products. Already the new generation of American cars is developing a European line, shorter, squarer, and more upright. This will be accentuated in this autumn's new models if the pre-launch leaks are anything to go by. Some forecasters in Detroit are suggesting that by the mid-1980s about 25 per cent. of all U.S. car production will be front-wheel drive vehicles.

As a result of this change, the indigenous American manufacturers are becoming potential customers for European component suppliers for the first time in decades. In the past the basic engineering of the two industries has been so different, with the American concentrating on comfort, space, and smoothness of ride, against the European concern for lightness, easy parking, and taut handling, that two different families of components have emerged. Now that is changing. "If European companies can demonstrate a design edge, with customer appeal, weight-saving and increased durability, the American market is wide open," according to Mr. Alex Cunningham, head of General Motors' international operations in New York.

The technological convergence between the two industries is not confined to front-wheel-drive engineering. It spreads into areas like diesel engine know-how and fuel in*jection devices which* are rapidly beginning to gain importance as the U.S. regulations on fuel economy and emissions become more stringent.

Mr. Ford, in the interview with the Detroit magazine, Automotive News, in which he spoke of his new model, spelled out how far this manufacturing revolution is going in the American industry. "We are going to spend $8bn. at Ford before 1980 to adapt our production to the rules enforced before President Carter was elected. We are working on *new engines, new transmissions* and new bodies. We are not restyling for the sake of styling any more. We are restyling to reduce the structure, size and weight of our cars."

The beginnings of this revolution are clearly visible in cars like the General Motors Chevette, a deliberate amalgam of European and American engineering. The Ford Pinto, a sub-compact which has been one of Ford's most successful models, and which uses a British-produced steering gear, is another example. In the next model generation the change will be even more pronounced. The Chevette will almost certainly be changed to front-wheel drive, and Ford will eventually have its new Escort-sized front-wheel-drive vehicle, and possibly a U.S.-produced Fiesta.

This autumn a new model from Chrysler, code-named the L-car, will set a precedent for all these developments. The L has been developed in Chrysler's design studios in the U.S. and Europe, and derives from the basic engineering of the Simca 1100 and the 1307/08/Alpine series. It will be launched in Europe, probably next year, to slot into the range between the 1100 and the 1307. In America it will become Chrysler's base-line vehicle—a hatchback with front-wheel drive and a pronounced European style.

From the European point of view, however, the really significant thing about the L are the bits and pieces below *its bonnet*. The vehicle will have an engine produced by Volkswagen, a transaxle by a GKN subsidiary, Hardy Spicer, and steering by Burman and Cam Gears of the U.K. Add to this a new American Motors vehicle which will also have a Volkswagen power unit and a *clutch made by* Automotive Products of the U.K., and the growing prominence of European companies in the industry is clear.

These component contracts from Chrysler and American Motors indicate some of the key areas in which technology from both sides of the Atlantic will converge in the next few years, although there are others. At the moment, European manufacturers appear to be pushing on *seven main fronts*. These are:

● Braking systems (Girling and Teves);
● Steering systems (Cam Gears and Burman);
● Transaxles (Hardy Spicer);
● Diesel engines (Perkins);
● Diesel injection and engine equipment (CAV, Bosch and Associated Engineering);
● Electronic components (Lucas and Bosch); and
● Forgings (GKN and Birmid Qualcast).

Mr. Henry Ford, who let the cat out of the bag.

> "What we need is cars like the Fiesta, slightly larger but not much. And since it is too expensive to import our cars from Europe, we will have to build them here . . . . we are going to spend $8bn. at Ford to adapt our production to the rules enforced before President Carter was elected. We are working on new engines, new transmissions and new bodies. We are not restyling for the sake of styling any more. We are restyling to reduce the structure, size and weight of our cars."

In all of these areas European companies have shown within the last year that they have something to offer the U.S. vehicle assemblers, whether in terms of design or reduced weight. To take an example, the Hardy Spicer contract with Chrysler has been won on the strength of a widely patented technological lead which the company has established in transaxle design. The company's position derives from its skill in constant velocity joint engineering, which led to an ingenious solution to the problem of mounting transaxles in transverse-engined cars. It has won many overseas contracts since its development of the original Mini unit in 1959.

GKN, Hardy Spicer's parent company, is one of the European companies expanding aggressively in the U.S. at the moment. Lucas, Associated Engineering, and Automotive Products are others. But the question all these companies now face is whether they should put down plant and make acquisitions in the American market, or continue to build simply on direct exports from European plant.

The American component companies, which, in a sense, have taken all these decisions in reverse by moving into Europe in the last 15 years, are quite certain that the Europeans ought to move towards direct investment. "Overseas companies will find that if they are going to sell in the U.S. they will have to invest in the U.S. as well," according to Mr. Bob Lynas, a senior executive in TRW, one of the giants of the U.S. components industry.

He goes on to point out that from the point of view of interest rates, inflation, costs and market possibilities, the U.S. now makes a "sound hedge for companies wanting to diversify their investments."

This point appears to have been taken by at least the bigger European companies. GKN, Lucas and Associated Engineering have all indicated their intention eventually to start manufacturing or assembling in the U.S. Bosch already has established a plant making diesel engine injection equipment and taken a 10 per cent. stake in Borg Warner, the automatic gear manufacturer. Away from the heartland of automotive engineering, Dunlop and Chloride, the battery producer, are also established as manufacturing companies in the U.S.

For strategic reasons, many European component groups also believe that it is now essential to have a foot in both sides of the Atlantic. American companies such as TRW, ITT, Eaton, Rockwell, Bendix, and Dana already are represented on both sides. In recent years, the larger American component manufacturers have gone multinational in a big way, gaining access to overseas technology, and at the same time beginning to erode the markets of the indigenous producers in other countries. The obvious defensive move is to hit back in the U.S. companies' own home base — and the American move towards European-size cars and European technology has given the big British and German groups an advantage which they ought not to miss.

Ironically, however, the U.S. manufacturers have been the quickest off the mark in showing how European techniques can be used in their home market. Only last month, Alfred Teves, the West German brake manufacturer, a subsidiary of ITT, the U.S. conglomerate, opened a plant at Culpeper, Virginia with a 300,000 unit order from Ford for starters. Similarly, Perkins, a subsidiary of Massey-Ferguson, has established a diesel engine plant near Detroit; and TRW has imported the Cam Gears rack and pinion steering concept because it weighs about 20 lbs less than its traditional parallelogram device. "Ford specifically asked us to use European technology on the brake contract, because this is what it wants to learn about," Teves says.

There must be many similar product areas where European companies can offer the American vehicle assemblers new ideas on how to save weight and reduce fuel consumption. GKN's alloy wheel manufacturing techniques, for example, are attracting a lot of interest. Similarly, the electronic fuel injection systems of Bosch and Lucas are among a number of devices being looked at to improve petrol metering.

Diesel engine equipment is also expected to be a fruitful field for the Europeans. The reason why Perkins has already established a plant in the U.S. is the past American neglect of lighter diesel engines. But under the impact of higher fuel prices, the use of diesel is expanding rapidly in light trucks and for other small motive units. There are suggestions that the U.S. car industry will also take to diesels, as one way of meeting the Government requirements to reduce fuel consumption to 20 miles per gallon b[y] the average fleet, and 1985. Chevrolet, the sidiary, has develope commercial diesel intends to test marke this autumn.

The two European which could benefit this trend towards Bosch and CAV, the sidiary, which eac strong hold on the diesel injection mar cult technology t Some of Lucas's com the U.S. believe tha push should come in area with the establ manufacturing for Mr. Bunty Wootten who has been appoin the U.S. effort, is attack across the Lucas' activities—op ment, replacement trical components, tronics.

Mr. Wootten, one architects of Lucas' drive into continen in the last ten year given an equally a pansion programme Bernard Scott, the man, is quite con U.S. manufacturing is essential to the gr "We have been target of $500m. b says. "We can ach exports, by acquisiti setting up green fie we certainly could it without local ing."

He goes on to po the growth of th component compan U.S. is the culminati spell of overseas "The reason we a that we are everyw the world. First we a British company established in th wealth, and then w £250m. to £300m. the Continent. Th is the same size as we aim to have as sence here as withi

Such confidence bred from a long growth for Eur ponent companies They have shown th stand up to the nationals in many a for example, the subsidiary, has pr ably successful a of Germany, despi German company ITT's backing.

But to give th equal chance of Europeans must swiftly in the U.S. can companies the bringing all their bear on developin lighter components to protect their ho which, in due cou be channelled int Europe. The Eu ducers therefore fa a challenge, but als

MEN AND MATTERS

Oppenheimer says No

The decision by Harry Oppenheimer, chairman of the huge South African mining conglomerate Anglo-American Corporation, to discontinue prospecting in Rhodesia because of the deteriorating security situation will not endear him to the present government of Rhodesia.

Up to now Oppenheimer has not been a particularly outspoken critic of the Smith regime in public but this latest move is bound to be construed as a clear sign of lack of confidence in the government by South Africa's most influential *financial and mining group*.

Decades of speaking out against the short-sightedness of South Africa's own racial policies have however accustomed him to governmental hostility.

Oppenheimer is involved both politically and financially in projects which cut across apartheid. His Chairman's Fund, financed with a percentage of company profits each year, puts money not only into teacher training in Soweto and an agricultural college in the Ciskei Bantustan, but also into more politically controversial schemes providing legal advice for squatters outside Capetown, and funding a clinic for the Black Community Programme, an organisation promoting black consciousness, many of whose workers are subject to Government banning orders.

The latest Oppenheimer scheme is the much-vaunted Urban Foundation, which aims *to channel money from big business* to housing for urban blacks, particularly through home-ownership schemes. Oppenheimer and his son have promised R6m. (£3.3m.) over the next five years as the biggest single contribution so far. However, the principle of encouraging a sense of permanence among urban blacks is directly contrary to Government policy, and it remains to be seen how successful the foundation can be.

Oppenheimer's involvement in such liberal projects stems from a clear philosophy, that South Africa's separate development may actually be a threat to the continuance of free enterprise, by forcing blacks to identify with Communism, as he put it last year to the Stock Exchange in London.

But Oppenheimer's involvement is not enough for his critics, who point to the heavy reliance of his mining operations on migrant labour, and the company's apparent unwillingness to make more than cosmetic changes to that system. One recent example was a labour dispute at a company colliery outside Vereeniging, *when 800 workers were simply* transported back to their homelands when they stopped work because an annual wages agreement had not been reviewed.

Critics take this as a prime example of the way in which Oppenheimer's liberal political stand makes such an uneasy bedfellow with *his* economic involvement in South Africa.

Farewell to the Waterloo board

The great departure board of Waterloo station is no more. For 56 years the craftsman-built mahogany and rosewood board has faithfully informed travellers and commuters that *their train* was late, diverted, cancelled, on strike—or even on time and leaving from platform five.

Now the whole board, with its unique mechanism of levers and rods, is just a memory. It was demolished last week and its place taken by a silent, computer-controlled, electronic board high up above passengers' heads.

A colleague felt so moved about the wanton destructiveness of it that he composed the following fond farewell.

"The board marked childhood visits to London, returns from school for the hols, first callow clerkships, the bittersweet progress to maturity and, sometimes, distinction and retirements. It saw breathless assignations with sweethearts and foot-tapping impatience with unpunctual wives.

To many it was a *reminder* of fateful moments—a night in the Blitz, a return from the war. To others it meant dreadful evenings held up by fog, and more recently maddening delays due to industrial action. But, though trains may be late the board, poignant symbol of homecoming, seldom, if ever, failed."

Who says the English are cold fish?

Ice what?

While EEC farm Ministers have been *scrapping over plans to* increase the amount of dairy produce required before an ice cream can be legitimately called an ice cream two U.S. congressmen have been lobbying strongly against plans to reduce even further the already scant quantities of milk and cream found in the American variety.

The Food and Drug Administration has suggested relaxing the rules to allow the skimmed milk powder now used to be replaced by cheaper substitutes like casein and whey powder.

But Congressmen Charlie Rose and Fred Richmond say that if the FDA plan goes through taxpayers will have to pay between $180m. and $300m. extra a year to cover the cost of government support buying of the milk powder displaced by the new ingredients.

The chairman of the congressional consumer committee is also laying odds that if manufacturers are given the go-ahead and use cheaper ingredients it is they, rather than the consumer, who will benefit from the $100m. a year reduction in their costs.

As for the proposed new ingredients whey powder is the dehydrated residue left after all the cream and solids have been skimmed and filtered out of milk while casein is a particularly versatile milk protein. It is used in a vast range of products—including paper, celluloid collars, artificial cork, varnish, synthetic marble, face cream and boot polish.

I don't know what this will do for the taste—but it looks a sure way of putting hair on your chest.

Sussex supermen

News in a Sussex newspaper *that a former army PT instructor* was thinking of starting up a body building class for men has revealed startling evidence of stunted growth in the Home Counties. "The response to this suggestion has been enormous," the paper declared. "The letter published in our columns last month has produced a *pile of* letters from applicants six inches high." Come back, Charles Atlas—all is forgiven.

Once bitten...

A recent business visitor to the Zambian capital of Lusaka reports seeing a disturbing notice in the office of his hotel. It instructed hotel staff not to give credit to a long list of organisations — including the Zambian Ministry of Finance.

Observer

FINANCIAL TIMES SURVEY

Monday July 25 1977

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The new Iranian philosophy is quite clear — the fun is over, and it is time for hard work. Oil still ensures the country's prosperity, but it needs a much stronger industrial base.

BASIC STATISTICS	
Area	636,296 sq. miles
Population (1975)	33.02m.
GDP (1975)	IR3,651.5bn.
Per capita	IR110,584.49
Trade (1976)	
Imports	IR970.0bn.
Exports	IR1,653.1bn.
Imports from U.K.	£511m.
Exports to U.K.	£1.049bn.
Currency: Rial	£1=121

...GE put across by ... his own people and ... large since the oil ... of 1973 has con... n the same. Time ... has said with un... faith that Iran is on ... becoming one of ... great powers—pick... best from Iranian ... Western technology, ... Iran will be among ... g industrialised ... a self sustaining ... t can cope with the ... s of the oil running

...ber this message ... anged, both in tone ... ce. In a lengthy ... th the editor of the ... daily, Kayhan, the ... much colder and ... stic view of the ... ning that Iranians ... on borrowed time if ... begin to pull their ... "We have not ... self sacrifice from ... ier we have covered ... cotton wool. Things ... nge: Everyone shall ... and should be pre... crifices in the ser... nation's progress." ... e first real indica... he carefree party ... of the past three ... when oil revenues ... have the necessary ... solve all Iran's prob... w past history.

... hammered home ... at oil alone enabled ... ment to subsidise ... provide free educa... trappings of a wel... and one day in the ... tant future this oil ... out. Unless people were prepared to work harder, produce more, and pay higher taxes, there would be nothing to replace oil.

Such a note of realism, more akin to a Western politician about to announce a belt tightening budget, had been necessary for some time. For three years no one had bothered to disabuse the people that one day—and sooner rather than later—they would have to do something themselves to sustain their country's economy. Everyone had been taking as much as they could get out of the system—bribes, commissions, cheating the Government on taxes, minor fiddles and big swindles—and giving very little in return. No one really cared, except the few harassed officials and individual businessmen concerned that there was a labour storage, that money had been wasted on frivolous projects, that important plants were a year behind schedule. Some businessmen themselves preferred not to look to the future but transfer profits to bank accounts in Switzerland, houses in London, flats in the South of France or farms in California. Only things which affected people directly caused questions to be asked when there were shortages of essential foodstuffs, lack of water, power failures and when housing in urban areas ate up 60 per cent. of wages.

To suggest that all this has now changed would be wrong. Anyway, changing attitudes takes a long time. But at the top—and in Iran things work from the top downwards—there is a new sense of urgency and realism. In private few will deny that problems were created by trying to go too fast in 1974, when the Fifth Plan was revised and expenditure doubled. Perhaps it was an inevitable mistake but a move which has wasted valuable time and squandered valuable resources.

Needs

The *reality* is that Iran, with a 35m. population growing at 2.3 per cent. a year, has substantial oil resources even if the wells do threaten to run dry by the year 2000. But its development needs are much larger and more complex than any other OPEC member, if only because of the size of the population. Oil production, even with expensive secondary recovery methods, will begin to decline within the next five years unless major new discoveries are made. By 1982-83 the production ceiling will be around 6.34m. b/d compared to the present ceiling of 6.7m. b/d. Domestic consumption, increasing at between 18 and 20 per cent. a year, will leave no more than 5m. b/d available for export by then. Of course, much depends upon the price of crude oil. But Iranian planners are not counting on anything but "moderate" increases in the near future, even though they feel the Carter energy policy has boosted their argument that crude prices must reflect the cost of developing alternative energy sources.

Thus although Iranian reserves may permit a production life of say up to 30 years, the level available for export will drop and begin to do so within the next five years. Oil together with gas exports to the Soviet Union provide 90 per cent. of all foreign exchange. For the future, the main hope for non-oil and gas export earnings is petrochemicals, steel and copper. It is too early to judge whether these industries can generate the necessary non-oil export earnings. But internationally, petrochemicals and steel are highly competitive and Iranian production costs are already above many of their potential competitors. Several energy experts believe that Iran will not be able to generate sufficient non-oil export earnings but will be held up instead by gas sales. Iran's gas reserves are second only to the Soviet Union but their exploitation depends upon a sharp international price rise and breakthrougns in LNG technology.

Overall, production costs have risen far too fast, as have wages and salaries. In his Kayhan interview the Shah referred to Iranian engineers being paid more than German engineers, even though Germany's per capita income was three times that of Iran. Production per worker has risen 10 per cent. a year over the past three years but labour costs rose three and four times as fast, according to the Industrial and Mining Development Bank report for 1976-77. The report also notes that the steep rise in labour costs over the past three years, conservatively estimated at an annual average of 20 per cent. and probably nearer 30 per cent., have played a major role in raising the price of domestically produced goods. The automotive industry, for instance, which is also hoped to be an eventual foreign exchange-earner, is protected by high tariff barriers but average prices are double those of similar models produced in Europe or the U.S.

Since the Kayhan interview, a number of measures have been adopted consistent with a more sober and restrained approach. A special Imperial Commission with eight committees was set up in November to monitor progress in all sectors of the economy. The Commission, which is linked to the Shah's special investigative body, the Imperial Inspectorate, to the security organisation Savak and to the Ministries, has already begun to expose various glaring examples of waste and inefficiency. The Shah has bluntly told workers that they can no longer expect bonuses at the end of the year if their company is not making profit. Up to now, workers have been receiving up to three months extra pay as official policy even if a plant was operating at a loss. A new labour code has been drafted where great emphasis is put on defining discipline—a means of achieving higher output; and a sort of carrot and stick approach appears about to be adopted to promote greater productivity.

According to the director of the Plan and Budget Organisation, Mr. Abdol Majid Majidi, the new Five Year Plan, to be announced in October and begin in March 1978, will herald in a period of austerity. The Government wants to gradually eliminate the massive food subsidies which cost $1.2bn. a year, equivalent to 9 per cent. of current account. Bank credit has already been tightened, and efforts are being made to redirect investment away from construction which has been absorbing almost half of total commercial credit. It is also possible that the Government will seek to curb import demand for luxury consumer goods.

Political considerations inevitably appear when carrying out such policies as these. To what extent for instance can the Shah risk alienating the growing urban/industrial workforce by clamping down on wages and cutting food subsidies when inflation is running high and high housing costs outpace all wage demands? To what extent can the Shah afford to alienate the growing middle class, the future of his industrialised society, by freezing product prices and so discouraging investment? To what extent can the military budget be pruned without upsetting the military who are the ultimate guarantors of his power? Before there was enough money to please everyone, but now aspirations have been aroused which cannot be sustained without major changes.

Dialogue

For this new and complex stage of development the Shah needs to have some sort of dialogue with the nation. He also needs to be able to delegate some authority and responsibility. Yet the whole system of power militates against this The Shah formulates all policy, and there is no institution, and less than a handful of individuals who can provide critical advice, unafraid for their positions. Officials are unwilling to take the initiative and hide behind the shield of bureaucracy, or when in doubt tend to exaggerate what they interpret to be the will of the Shah. Under these circumstances the single party system introduced in March 1975 has floundered, because no one is prepared to believe that it can play a constructive role and formulate policy.

Until earlier this year it seemed that the political situation would remain static, and that those discontented with the system (mainly among the educated elite) would accept things with the cynical indifference which has been the hallmark of the last 15 years. But the advent of the Carter Administration with its emphasis on human rights, coupled with some carefully calculated measures by the Shah to forestall U.S. pressure in this respect, have suddenly changed the picture. America is Iran's single most important ally, and U.S. support for the Shah has been a key element in ensuring the stability of his regime. Since April there have been a series of moves which can only be interpreted as a response to pressure—anticipated or real—to improve Iran's human rights image. A political trial has been held in public for the first time in many years; new laws have been drafted covering the procedure in military tribunals including allowing civilian lawyers for the first time; and the International Red Cross has been allowed to visit 20 prisons.

Parallel with this—and acting under the umbrella of the Carter human rights campaign—a number of dissident intellectuals and former political Opposition figures have begun to circulate critical letters. Two letters have been sent direct to the Shah. One of these accused the Shah of acting unconstitutionally and abusing human rights; pointing out that he could not merely take the credit but must also take the blame if he chose to initiate all policy. Another letter has been sent to the Prime Minister, Mr. Amir Abbas Hovieda, by 40 members of the unofficial writers syndicate calling for freedom of expression and an end to censorship. The government controlled Press itself has become a little bolder. Nothing has been done to stop all this so far, which certainly would not have been the case a year ago.

It is too early to say whether this is the beginning of an officially tolerated move towards greater liberalisation, with the recognition by the Shah that a dynamic society cannot be repressed in the manner of the past fifteen years. The sceptics believe that this is merely a means of allowing an elite to let off steam and the clamps will soon be reimposed. This is a widely held view. A more tendentious, and interesting one, is that genuine forces of change are at work which could create a momentum of their own.

Economy takes the strain

WHEN IRAN decided in 1974 to revise the Fifth Five Year Plan and double investment it was the "maximalists" who won the day. The Shah himself was in the forefront of those who argued that Iran, through the quadrupling of oil revenues, had been presented with a unique opportunity and the economy must be stretched to the limits, for without such an effort nothing could be achieved.

Now circumstances have changed. The word is out from the Shah downwards that the pace of economic growth be more measured—and indeed there is little option for any other course, except to vary the level of restraint on growth. After three years of unprecedented high growth Iran is in little shape other than to go through a period of digestion.

An economist the other day likened the Iranian economy to someone who had grossly over-eaten and was now sitting in an armchair suffering from indigestion and feeling slightly rueful. The analogy may be a trifle unkind but it is apt. It catches the mood, completely changed from a year ago, which is more reflective, realistic and—at the all-important psychological level—relieved. There is a great sense of relief that the pressure is off, so allowing the right kind of atmosphere to tackle the problems which must be dealt with before the economy changes gear again: inflation, high housing costs, inadequate power supplies, shortages of construction materials, poor roads, inefficient distribution, the shortage of skilled manpower, and the accelerating urban/rural gap.

The strains inherent in doubling investment expenditure were evident in early 1975. Yet once the wheels had been set in motion they took time to gain momentum. Although the brakes were applied in early 1976, this was largely because of a sharp decline in oil revenues; and it was only last October that a noticeable change of approach occurred, heralded by the Shah in a lengthy interview in one of the local newspapers in which he bluntly said the spending spree was over and warned of belt tightening to come.

The main dynamism behind Iran's enormous spending and consequent surge in growth has been Government investment of oil revenues. Thus the best indicator of a slowdown has been the decline in Government spending. In the Iranian fiscal year, 1976-77 (ending March 20) the increase in Government expenditure fell from 25 per cent. to 14 per cent. This was due to severe restraint in current expenditure (composed of over 65 per cent. of wages) and some curbs on investment, the latter nevertheless being allowed to increase by 19 per cent. At the outset of the year an overall budget of $45bn. envisaged increased expenditure of 27 per cent. But this proved too expansionary, and the Government underspent the budget by almost $3bn., of which $2.4bn. was on current expenditure.

Expansion

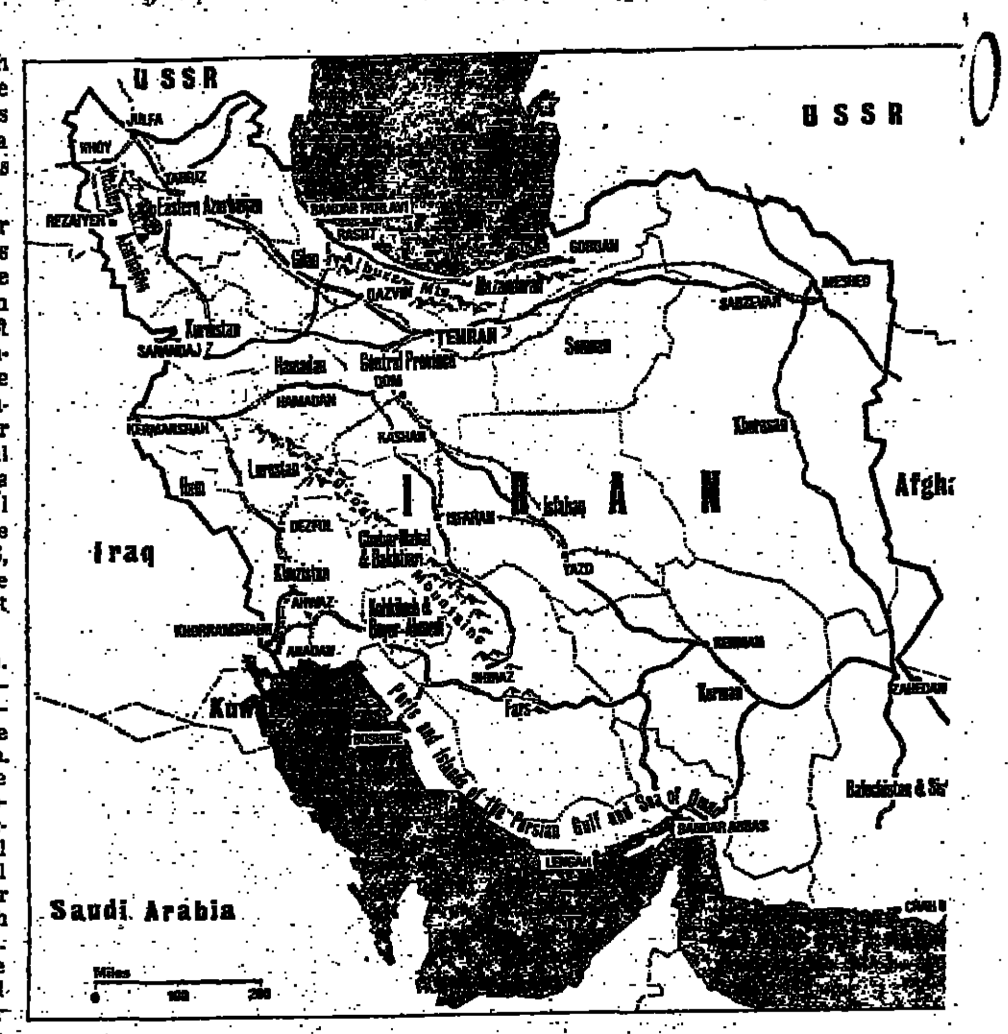
This slowdown was reinforced by tighter commercial credit. Commercial bank credit to the private sector was contained at a 38 per cent. increase. Though this was above the 35 per cent. ceiling the Central Bank would have liked to have kept, it was well below the annual 55 per cent. increases of the previous two years. The expansion of money supply was kept to 34 per cent., compared with just over 60 per cent. two years back. And because a number of projects were held over or costs trimmed there was a noticeable fall off in the previous high demand for imports. Preliminary figures for the year ending March 1977 show that on a volume basis non-military imports increased 15 per cent. to 15.3m. tons, and in price terms 23 per cent. to $14.1bn. This compares with annual average increases during the previous two years of 40 per cent. and 77 per cent. respectively.

Provisional estimates from the Central Bank put GDP at $65.8bn. at year-end in March, equivalent to a 14.7 per cent. growth rate. Value added in the non-oil sector was 15.3 per cent. at constant prices, with the industrial sector increasing 23 per cent. Real growth in the oil sector was over 13 per cent. —a sharp improvement on the previous year's 11 per cent. drop. *Agricultural production* officially increased 6.5 per cent. Though this figure remains suspect, it is probably more accurate than the similar growth rate claimed last year because of a much improved cereals harvest. Overall per capita income at constant prices reached $1.8bn.

The slowdown in the latter half of the Iranian year was accentuated by the emergence of the two-tier oil price system after the OPEC meeting last December in Doha. Throughout January and February the authorities were genuinely concerned that oil, which last year provided 76 per cent. of general budget revenues, would be a major variable undermining all calculations. Accordingly the budget for this year, 1977/78, was revised at the last minute with a 2 per cent. cut equivalent to $3.5bn.

The main cut was $2.26bn. from the defence allocation—the first in over 35 years—bringing military expenditure down from $8.1bn. to $7.95bn. or roughly 23 per cent. of the general budget. Among the projects shelved was the construction of the Chah Bahar naval base on the Indian Ocean. Total spending was kept to a 9 per cent. increase at $49bn. with the general budget of $32bn. (Budget appropriations are split between the general budget and the budget for public enterprises whose revenues are treated separately). The most significant feature was renewed emphasis on the Government's determination to accelerate fixed capital investments and keep down current expenditure. This year capital investment is due to rise from $9.9bn. to $13.9bn.; current expenditure will rise only 5 per cent. to $18.3bn. Meanwhile there is a further squeeze on commercial credit.

The budget also reaffirmed the authorities' determination to increase efforts to lessen dependence upon oil as the prime source of revenues. The fluctuations in the international oil market in the past two years have brought home the dangers of making financial projections upon assured levels of oil receipts. As a result of the Doha two-tier price structure, Iran feared a serious drop in sales following Saudi Arabia's *5 per cent. increase and threats* to raise production. The planners have accordingly been very cautious. Budget financing has been based upon average crude liftings of 4.6m. b/d. This was based upon 4.2m. b/d for the first six months of 1977-78 and 5.2m. b/d for the latter half. This would be 10 per cent. less than the previous year, or nearer 15 per cent. if oil products were included.



To meet the revenue shortfall in the general budget it is planned to raise tax receipts by 34 per cent. (mainly corporate tax), turn to the domestic market for the first time in over four years (for some $2.13bn.) and raise foreign borrowing from $1.13bn. to $1.4bn. The state enterprises too, in their separate budget, are expected to raise their domestic and foreign borrowing to the equivalent of $2.6bn.

However, this is all theoretical. Oil receipts still remain the major imponderable. Contrary to expectations Iran was able to weather the two-tier market even though its oil was priced 5 per cent. higher than its competitor Saudi Arabia. International demand has proved stronger and the Saudis did not, or were not willing, to raise their production significantly. As a result sales have averaged 4.8m. b/d through to June. This is well above the first half anticipated average. There will be a drop during the summer months; but the realignment of prices after this month's July OPEC meeting in Stockholm and signs of steady demand for the winter months provide an encouraging prospect.

Restricted

According to Mr. Abdol Majid Majidi, director of the Plan and Budget Organisation, the budget will be balanced if annual average sales can reach the 5.1m. b/d mark. Almost certainly, Iran is likely to borrow abroad less this year than originally anticipated. As it is total foreign reserves at present stand at $10.4bn. equivalent to over seven months total imports. The balance of payments in which in 1976-77 registered a $2.025bn. overall surplus, should continue in surplus. This is especially the case, since loans and investment abroad are being restricted. Two years ago this was a major item in the balance of payments. Now it has been halved to $1.13bn.

Dampening the economy in the Iranian context has meant reducing growth from 20 per cent. plus to single figures until now. But it has been realised that even rates of 12 per cent.—exceptionally high by world standards—can no longer be considered "moderate" in Iran. There is talk of aiming for between 8 and 10 per cent. in the coming years. The Doha experience has provided further ammunition for those who wanted to move more slowly: and they are having their way it seems.

This year is being used to tidy up and concentrate on the major bottlenecks, sort out priorities and pave the way for the implementation of the next Five Year Plan. The new Plan is still being worked upon and will not be announced until late October, coming into force in March 1978. In many respects the new Plan will be a rationalisation and refinement of the objectives of the present Plan. This time the authorities do not wish to put the cart before the horse—raise imports without tackling port handling and warehousing capacity; increase industrialisation without providing essential utilities like water and power or improving road and rail links and telecommunications; plan factories without training manpower.

Some of the structural problems have been solved. In particular the ports are now working more efficiently and valuable foreign exchange is not being drained in high demurrage charges. Telecommunications have improved and there are now direct dialling links with the U.S. and Italy. But there are still some glaring inadequacies. The acute power shortage which has surfaced this summer due to the failure of the Reza Shah The Great Dam to come onstream properly has exposed the tip of an iceberg. For two years now industry has been suffering seriously from power shortages, and this has been a major constraint on production. There is still a severe shortage of construction materials with a big black market (cement being traded at ten times the official price). Skilled labour is in desperately short supply. All these elements, combined with bureaucratic inefficiency and rivalry has meant that most major projects are between six months and over a year behind schedule with heavy consequent cost overruns.

Housing is a major headache. Construction has enjoyed a boom—taking over half of all bank credit—but there is still very little low cost housing. This has been the chief push behind wage demands which in three years have risen some 30 per cent. a year with only marginal increases in productivity to match. Iranian production costs have become so high that in some instances imports are infinitely more competitive in price. Eighteen months ago the Shahryar Industrial group closed down its billet plant at Aahwaz, for instance, because it found it cheaper to import. Meanwhile, agriculture remains the Cinderella. Agribusiness is still in trouble and agricultural production is failing to match increased consumption. As much as 20 per cent. of all agricultural production is lost through poor distribution, difficulty of finding labour, failures of machinery and poor use of pesticides. And all this does nothing to tackle the urban rural gap, which is increasing at an alarming rate.

Taxation

The Plan organisation is conscious of these problems and is now trying to tailor the new Plan to resolve them. Fresh emphasis will be given to what one official called "proper spatial planning." In other words, the authorities want to exploit the country's wealth in a more rational way without creating lopsided growth of industrial wealth concentrated round the major centres of Tehran, Isfahan and Ahwaz.

The Government to encourage the p. away from constru restrictions are force), and to mal larger role. Total i the new plan is 55/45 split betweer and public sector. vestment, the Plan anticipates a contin marginally less im tribution from oil— cent.—and a maxim borrowed abroad. T to mean increased home and the ini period of austerity.

On the positive Government has at identified the pro Through a speci Commission created ber it has already very hard hitting re failures of various to know the probler the right noises is producing the desi another. The Goverr like to develop economy. responsiv forces and the pu strong but not domir means of manage often been arbitrary ian, motivated by social consideration economics which ha private sector relu invest. Inflation under control in 19 first half of last ye the-board price cont has been relaxed an now running at over unofficially. Even Central Bank figu showed housing ar up 55 per cent. and respectively agains period last year.

Thus it becomes lematical how infla controlled. Wages strained on paper; as the labour mar and there is a skilled labour em the going rate. And militant labour ca ably be asked to f creases when 60 wages can disappear Even with a massi low cost housing the not be seen for years.

Oil wealth unti masked all these pr provided an effect against them. But f oil revenues look li moderate increases can therefore no le the waste and ineffi resources which wa the hallmark of the boom years.

Robert

IRAN BUDGET RECEIPTS AND EXPEN[D]

(dollars bn.)

	1975-76	1976-77
1—General Budget	1975-76	1976-77
(a) Taxes	3.84	4.39
(b) Oil/gas	17.68	19.98
(c) Other	0.91	0.98
(d) Domestic loans	—	—
(e) Foreign loans	0.08	1.14
(f) Special revenue	3.14	0.64
Total	25.6	27.2
2—Total State receipts (including State enterprise borrowing)	32.76	42.67
3—Total expenditure	32.76	44.73
4—Gross deficit	—	2.05

Source: Plan and Budget Organisation.

Flexible view on foreign affairs

men at the Iranian ninistry in their cool, ding in Southern he past 12 months a period of consolida- in which the nerve ched out so far in 75 phase of hectic expansion have con- newhat. The stability gion is still a pre- However, while with the Soviet Union ed slightly from their ill and those with em unclouded by any g political issue, is increasingly oon the implications of President Carter's human rights and rol.

son learnt is not to closely identified vidual personalities, hey be Mr. Zulfiqar Pakistan, Mrs. Indira India, or anyone else. ign policy always has ly pragmatic. Over ear there has been a r of examples of aken as well as hasty of established posi- ocuments have been th neighbours, but for satisfaction has rshadowed by the or in some cases very instability round

edly most Iranian ould have preferred esident Ford remain hite House, if only he was a known ut the importance of lations with the was illustrated by adjustment to the There is evidence s current, tentative ards greater respect rights (as they are in the West) pre- Carter Administra- its part, the new inistration has made that Mr. Carter's hese topics have been ained to Iran. The friendliness in be seen within this The Shah likes to links abroad through iplomacy. Officially, of Mr. Cyrus Vance, tary of State, during meeting in Tehran a routine event— The next step in know the new tion was Empress cent, unofficial trip But the real test e Shah's own forth- isit there in the nly afterwards can the relationship be judged.

...vance

meantime Congress s over the wisdom of s to Iran continue to vance. Last year's ign Relations Com- orts on the mis- of the arms programme and the U.S. personnel in estimated at over thed a raw nerve. deal, arranged at last October with nion, for rank trans- moured personnel Sam-7 missiles may een intended as a Americans that the rnative sources of remains wide open are made too ob- ll Iran what equip- ires and can absorb se a Turkey-style it happens, the deal largest so far with clear proof that o inconsistency in s of self-interest at as Moscow Radio itical tone about of Iranian develop-

a new Soviet Am- ran seems to have structions to make ween Moscow and cordial. His task onsiderably by the on to return the who chose to defect nail aircraft across return it has been bran, two of the dio stations broad- sian, and believed d by the Russians, closed down. On front, negotiations d projects continue but slowly. nic arm of Iran's y, which two and go led the way in new links around well as improving nearer home, no ts earlier muscle. say that building th the countries of Ocean region, for ny less important. y—with the dis- f the short-lived lus—the leverage there. One or two aid clients are known to exist.

Inevitably, there has been something of a climbdown from the high plateau of relations reached at that time, especially with parts of the Arab world. At the same time, political ties with Egypt and the traditional allies, Jordan and Morocco, remain close. With Morocco there has been an identity of interests in the African world, King Hassan's intervention in the Zaire civil war was greeted with much satisfaction in Tehran.

Of more pressing urgency for the Shah, however, are developments on the Horn of Africa and along the western littoral of the Red Sea. It is not a region where Iran sees itself playing an active or unilateral role. Rather, it would prefer a concerted Western strategy on behalf of the "moderate" countries of the region. Nevertheless, the recent first visit to Somalia by Mr. Abbas Ali Khalatbari, Foreign Minister was a good example of an opportunity taken—coming in response to an invitation, and at a time when the Somalis seem anxious to distance themselves from the Soviet Union.

Nearer to home, that long standing goal—a Gulf security pact—remains "on the table" following the failure of the Muscat conference of littoral states, last November, to come to any common conclusion. In Tehran it is considered an achievement that all the Arab states, including Iraq, agreed to attend the meeting in the first place. To get that result required much prior diplomacy. Even then the meeting had to survive the shooting down by South Yemen of an Iranian Phantom based in Dhofar.

Subsequently most of the Iranian forces in Dhofar have been withdrawn, leaving behind only the headquarters staff and logistics tail, and an air force squadron. It is hoped that the move might improve the prospects for another foreign policy goal: the delicate mediation by Saudi Arabia and Kuwait between Oman and South Yemen. The withdrawal also fits in with the temporary contraction of Iran's defence perimeter, declared on cost grounds by the Shah earlier in the year.

Relations with Iraq, meanwhile, have improved steadily—in the sense that a further batch of co-operation agreements have been signed: but there little real warmth is developing and the carefully constructed edifice of rapprochement could easily collapse. Iran still judges Soviet intentions in the region according to the way Iraq behaves. It also sees a triangle between Libya, the Soviet Union and itself. Colonel Gadhafi has been trying to patch up relations with Tehran over the past year, but so far to little avail.

One regional dispute being closely watched in Tehran is the long standing territorial problem between Iraq and Kuwait. At stake are the future of two strategic Kuwaiti islands, Warba and Boubiyan, as well as a formal recognition of Kuwait by the Baghdad regime. In Tehran it is considered unthinkable that Kuwait could allow Iraq to gain control over Boubiyan, thus expanding its Gulf shoreline and increasing its strategic elbow-room.

Looking around at all its neighbours—with the obvious exception to the north—Iran has become concerned at the internal instability (with external implications) it sees now or possibly in the future. In both its RCD (Regional Co-operation for Development) and CENTO partners, Turkey and Pakistan, there are long running government crises. (The recent military coup in Pakistan was greeted with some relief as a temporary respite there). With Afghanistan and Saudi Arabia there are succession worries; Kuwait and Bahrain have been forced to clamp down at home; the United Arab Emirates have just overcome a crisis over their future direction.

No wonder the Iranian arguments about the need for their own defence build-up have a more convincing ring about them to-day. As it happens, an end seems to be in sight for the recent phase of large arms orders for all three services.

The defence budget will probably remain at its present level of just under 24 per cent. of current account spending for some time to come to meet ongoing commitments. The fractional decrease in this year's allocations compared with last year has no doubt already been made up as the "oil production" figures climbed. Towards the end of last year, barter deals became the favoured method of acquiring all the goods on order. An agreement was reached with BAC and Shell over the Tracked Rapier missile, which is eventually to be built in Iran.

When oil production picked up again this spring it was thought that barter deals would also drop out of favour, but this does not appear to be the case. The development of the massive new base at Char Bahar, near the Pakistan border, has been seriously hindered by financial cutbacks (and is now at least two years behind the original schedule). General Toufanian, the Vice-Minister of War in charge of arms procurement, has said recently that he favours an oil barter "package" covering the main infrastructure and construction work. Char Bahar was originally to cost over $2.1bn., but most of the luxury trimmings have now been removed from the plans.

Agreement

It is emphasised in Tehran that barter terms can only be worked out once agreement has been reached with the foreign companies concerned on the overall price. After a year of standstill, agreement is about to be reached with the British for work to resume on the ordnance complex near Isfahan. Millbank Technical Services (a wholly owned subsidiary of the Crown Agents responsible for the defence sales programme in Iran) and Wimpey-Laing, the main contractors, have lost their privileged position in this development as a result of the dispute over rapidly escalating costs. Instead the whole 50 square kilometre site is being divided up into smaller packages—at least one of which is likely to go to MTS. Negotiations on the financing are still going on, but the Iranians would like the work on a part-barter, part-cash basis.

For Britain, there is considerable consolation in the shape of several recently concluded successful negotiations, worth altogether some $600m. Chief among them are the supply of 1,000 tank transporters ($170m.); four naval supply vessels from Yarrow Shipbuilders ($136m.); and the establishment of a "base workshop" (thought to be worth some $136m.) for Iran's Chieftain tanks. These contracts are said to be at varying stages of finality, after protracted negotiations, but all seem certain to go ahead.

Meanwhile the first order for 792 Chieftain tanks has just about been completed, and the supply of the second batch of 1,297 will go ahead in three phases. Most of the latter will be the improved "Sher Iran" type, with Chobham armour and a Rolls-Royce engine. The Iranians also say they are satisfied with the 110 Alvis "Scorpion" light tanks now being delivered by Britain.

Perhaps the major arms procurement question at the moment concerns the replacement for the F-18L lightweight aircraft which Iran had hoped to buy from the United States; but which became a victim of President Carter's arms limitation policies. For the first time the Iranians are looking to the European manufacturers in the first place. Hot contenders will be the Dassault Mirage and the jointly produced MRCA Tornado. According to General Toufanian, a twin-engined aircraft is needed, not more single-engine planes like the F-16s, of which 300 are already on order. But cost is an important point as well.

The major delivery being made at the moment is the Grumman Tomcat, the F-14. Half of the 80-strong order has arrived and the rest is expected by 1979. Also expected from the Americans are four Spruance class destroyers scheduled for delivery in 1981, and three Tang class diesel submarines. Crews are now being trained on the submarines and the craft should be delivered in two years time. By then the Iranian Navy should have recovered fully from the scandals that rocked it in the past year. It has been a difficult year for the navy, but at least the main naval base at Bandar Abbas is nearly ready and will be opened by the Shah in a few months time.

Andrew Whitley

Oil sales better than expected

IRAN SEEMED the OPEC member most likely to be affected by the two-tier price system that emerged from the Doha meeting last December. Iran went along with the 11 country majority, raising its prices by 10 per cent., thus giving Saudi Arabia's high volume light and heavy crudes a substantial price advantage. During the first weeks of January it looked as though Saudi Arabia would really capitalise on this competitive edge to rub home the point that it dictated OPEC prices and that 5 per cent. was what the international market could—and should—absorb.

In the first nine days of January, Iranian exports fell by 45 per cent. to a mere 3.5m. b/d, and everyone in Tehran was extremely concerned. The Saudis, in public at least, claimed to have every intention of boosting production well beyond 8m. b/d to 10m. b/d and there was no sign of an end to the disruptive forces let loose by the two-tier price system.

Yet all this is past history now. The international market adapted much better than anyone expected to this unusual situation. Iran, much to its own surprise, found its sales holding up well above projections; meanwhile Saudi Arabia did not raise production as much as it apparently intended, partly because of the physical problems involved, but also one suspects because politically this might prove too disruptive to OPEC. And now, following this month's OPEC meeting in Stockholm, the price structure has been reunified with Saudi Arabia and the UAE raising their prices in line with the other 11.

Compromise

This means that Iran can look towards the remainder of the year with much greater equanimity. Although Iran would have liked to have raised prices by a further 5 per cent. in July, by the majority at Doha, it believes that the freeze is an acceptable compromise. Even with the new agreement reached in Stockholm, senior officials at NIOC say that they will stick with the existing projections for liftings which were made in February. Then, annual average liftings were projected at 4.6m. b/d, 10 per cent. less than last year's average, and nearer 15 per cent. if refined products are included. The calculation was a first six months' average of 4.2m. b/d and 5.2m. b/d for the latter half of 1977.

Liftings through May have so far averaged 4.9m. b/d. Although June is understood to have been a bad month for sales, NIOC is confident that average liftings for the whole year will be above projections. NIOC itself hopes to have direct sales averaging between 1.3m. b/d and 1.5m. b/d. which if achieved should ensure a comfortable margin in case the Consortium companies have reduced liftings. Despite a drop in the summer months, and increased availability of crude through the North Sea and Alaska, international *demand for Iranian crude is* expected to hold up. The variable in all this is the level of Saudi production and agreements, *if* any, on the price differential for the competitive Gulf crudes.

The high level of NIOC direct sales underlines the tremendous changes that has taken place since 1973 when Iran acquired complete control of the industry and agreed to a new contractual arrangement with the Consortium. The Consortium, legally known as Iran Oil Participants, consists of BP, 40 per cent., Shell, 14 per cent., Exxon, Mobil, Standard Oil of California and Texaco, each with 7 per cent. and the Iricon group of independents. In return for providing 40 per cent. of new investments, and operating the fields in the "agreement area" (Khuzestan) through a service company, OSCO, the Consortium members were to lift all crude except a "stated quantity" reserved for NIOC direct sales.

Circumstances have been such, however, that since December 1975 the agreement has been inoperative. The Consortium members since that date have withheld their investment share. With margins on sales eroded, despite a 22 cents discount per barrel, the companies have found their investment commitments too heavy and have sought to renegotiate a new *agreement based upon* the principle of NIOC providing the investment funds and they being paid a service fee in the form of a discount on crude. It is also recognised that a new arrangement would have to be worked out on liftings since NIOC is now selling almost double its "stated quantity" and the companies taking less.

For a good 18 months now, both sides have been fairly relaxed over what appears to be an anomalous situation. The *last time any formal negotiations* were held on the subject was in April 1976 and neither side seems in any hurry to fix a new agreement. The official reason is that NIOC is awaiting the outcome of negotiations between the Saudi Government and ARAMCO, since all the ARAMCO partners are in the Consortium. In the meantime, *NIOC is paying the full cost of* investment, around $1.2bn. this year, and the Consortium members are putting aside notional interest due on their share.

Arrangement

The only concrete move has been over the Abadan swing refinery. Under the 1973 agreement the Consortium companies agreed to an arrangement on the purchase of the refinery's products, which if proved unfavourable, could be terminated at two years' notice. Notice was served and will run out on December 31, 1977.

The problem is basically as follows: NIOC can pre-empt any product for the internal market from the refinery. With the very rapid and unforeseen increase in domestic demand for refined products, especially the more valuable middle distillates like kerosene, the Consortium found itself purchasing the less valuable products such as fuel oil. The net result was that the Consortium has been paying the full price per barrel but getting the less valuable parts and paying a 5 per cent. tax. This has meant an increasing notional loss which is now in the region of $1.50 per barrel.

Therefore, as of 1978, NIOC will have to find clients for the refinery's throughput. Of the current 460,000 b/d throughput roughly 300,000 b/d has been for export. In a couple of months total capacity will be expanded to 600,000 b/d. In order to obtain the range of products it needs from the refinery, NIOC has to ensure it runs at capacity, which means substantial new sales arrangements. NIOC is confident that this can be done, and negotiations with a number of companies are now underway on a bilateral basis but not with the Consortium as a group.

Given these changes, several in the oil industry wonder just how long the Consortium can and will remain as it is. They point to the decline of interest in Iran by the ARAMCO members who have all shown much greater concern for developments in Saudi Arabia—whose *current production capacity* alone is almost double that of Iran's. NIOC on the other hand must act sooner or later, if for no other reason to guarantee itself long term sales arrangements with the major international oil companies as an insurance against the possibility of disruptions in demand.

The Khuzestan fields in the "agreement area" provide over 85 per cent. of total Iranian production. The remainder comes from NIOC's joint ventures with independents. During the past six months, NIOC has been conducting a series of negotiations with the latter in an attempt to come to terms over new arrangements for taxes and investments. Though NIOC has not provided any details of the new arrangements, senior *officials confirm that* agreements, mutually satisfactory, have been concluded. NIOC is also trying to rationalise these joint ventures, combining where possible facilities and operations. For instance, Iminoco and Lapco, who both operate on Lavan Island, are being asked to pool resources, like using a common jetty.

NIOC's *main attention* is, however, devoted to its programme of secondary recovery. Maximum production capacity is at present around 6.7m. b/d and secondary recovery methods are essential to sustain this level. Iran has huge quantities of associated and non-associated gas available for reinjection purposes and this is the method *chosen to improve recovery*, hopefully by some 15bn. barrels. NIOC is spending $4.5bn. between 1976-82 (at 1976 prices) on secondary recovery, roughly 55 per cent. of the company's total investments. It is a huge undertaking and largely due to manpower shortages the programme is as much as two years behind schedule; but NIOC officials regard this as unavoidable given the manpower bottlenecks in the country. Another problem too, is desalting since a large number of wells are shut in due to excessive salt in the crude. Though the per barrel cost of producing crude will inevitably rise from the current $0.26, improved recovery will pay off.

Even employing secondary recovery on a large scale—it is the most complex secondary recovery scheme in the world—production will nevertheless decline. Unless significant new discoveries are made, and historical evidence is against this, the production ceiling in 1982 will be around 6.3m.-6.4m. b/d. Parallel with this, domestic consumption will be running at over 1m. b/d and increasing at between 18 and 20 per cent. a year which means that less than 5m. b/d will be *available for export*.

Domestic demand h faster than originall pated, and NIOC is now on the basis that 100,0 new refining capacity be added every two y the end of the year t sion of the Abadan ref be in commission plu refinery at Tabriz with b/d capacity. Abadan a b/d will again becom the largest in the wor year, a 200,000 b/d r Isfahan should be while a 20,000 b/d top at Lavan Island and necking plant at Tehra capacity to 225,000 b/d vide a comfortable m immediate needs. needs have taken pri NIOC appears in no *activate two export ref* jects.

Within the limits sources, NIOC has sl it is the most act oil company in d operations. Apart fr ing stakes in the M Durban refineries, it h venture in South Kor private concern, Ssang a 60,000 b/d refinery This should be ready months. However an for a 60,000 b/d r Senegal has yet to drawing board, and appear to have priori

Involvemen

Discussions on m wide-ranging involve downstream activity in the Italian ENI sta cern's distribution ar *ing operations, still* Talks began over th ago and there is sti political will to concl NIOC wants to avoid a receptacle for u ENI operations while has to convince t Government of the c of such a venture. recognise the advan despite the obstacles time taken so far could yet materialise

Iran's desire for an international tie-up d should not be unde This was evidence abortive efforts to Occidental last sum viously interest had s in Ashland and in ac 20 per cent. Burmah in BP. Only this mo acquired 700,000 sha the maximum permit special public share NIOC already has a I a joint tanker compa last year and in e blocks in Greenland.

Developments in petrochemicals

NOT MANY industries have emerged from the economic turbulence of the past three years with their plans for expansion as intact as the petro*chemicals industry. The bullish* opinions expressed this year by Mr. Baghir Mostofi, chairman of the National Petrochemical Company, on what the industry expects to achieve, contrast with the more cautious approach to spelling out development targets that is adopted in other sectors. He, certainly, leaves no doubt that Iran is still bent *on moving as fast as possible* towards establishing a petrochemicals industry that will not only meet the burgeoning demands of the domestic market but also establish Iran as a force in the international market.

Substantial expansion of fertiliser capacity is being aimed for, although this *is not* expected to do much more than keep up with domestic demand. Expansion at the Iran Fertiliser Company plant near Shiraz, originally due for completion in mid-1977 and now set for the end of 1978, will add capacity for 440,000 tons of ammonia, 550,000 tons of urea, 110,000 tons of nitric acid and 220,000 tons of ammonium nitrate. The Shahpur Chemical Company has also been expanding to double its production of ammonia to 660,000 tonnes and raise urea output *from 247,000 tonnes* to 742,000 tonnes annually.

The Iran-Japan Petrochemical Company's complex alone will raise petro-chemicals output by some 1.4m. *tons a year*. Production is centred on a chlor-alkali unit manufacturing chlorine and caustic soda, an olefins unit producing ethylene, propylene and butadiene and an aromatics unit producing benzene and xylenes. NPC is also proceeding with *plans*. *for a wholly-owned venture to produce some* 800,000 tons of aromatics a year at Abadan, using naphtha from the Abadan refinery. Completion is schduled for 1980 instead of the 1978 date originally set.

Hampered

Developments in the past three years have taken their toll, however. Severely hampered by infrastructure shortages, port congestion and massive inflation, few projects have been completed within the time allotted or the original budget. For the IJPC, a joint venture between NPC and five Japanese companies setting up a major complex at Bandar Shahpur, the cost of process units alone is *now put at $1.8bn.* compared with earlier estimates of $600m. Feedstock gathering lines and infrastructure are expected to push the overall cost well over $2.5bn. And as a result of protracted negotiations arising from a request by the Japanese companies that their investment should be given a government guarantee, completion has been delayed by over a year to around 1980.

NPC, like most other areas of industry, has also had to cut down on some projects. In the case of the IJPC venture, cost overruns are understood to have led to the postponement of plans for the manufacture of certain products, including *cumene, styrene and polypro*pylene. On another side, NPC has replaced proposals for three different ethylene pr were to have been as joint ventures wi firms with plans fo *core unit wholly-owne*

Shortages of man not appear to have be problem so far for N launched its own Mobilisation Divisior But last year the co some 1,100 recruits training. In the cou next five years the estimates it will ha 12,000 more, includ graduates, 6,200 t and 4,500 skilled wo

Despite paring projects, NPC is still heavy commitments f decade. Some $3.5br invested in the petr industry during the Year Plan starting according to Mostofi. doubling the presen *investment* built up previous 15 years. appears ambitiou proposes to double th investment again d *following five years.* the total to around $

With over $3bn.-wo facilities apparently commissioning in the to mid-1979, a drama earnings is also expec amounting to some $ year, including $67m. are to rise to around 1983 with the loca absorbing $1.9bn.-w products and exports a for the balance.

By the end of 1 annual production *built up to 800,000* ammonia products. and compound fertili

CONTINUED ON NEXT PAGE

هكذا من الأصل

Power shortage plays havoc with industry

countrywide energy / the most pressing / the moment for the / Power blackouts, / res and insufficient / apacity this summer / havoc with industry / s, as well as disrupt- / ryday lives of those / o have begun to take / for granted. The / not a new one; but / combination of low / ntractual difficulties / anning have exacer- / tuation.

stating effect of the / tage was illustrated / nt report of the / mmission's Commit- / ustry (the Commis- / iew watchdog body / to the Shah). The / wed that at the / ile aluminium plant, / nium, the electricity / s interrupted 760 / total 33,000 minutes / March, 1976, and / 7. The plant had / maximum of 35 MW / e promised 115 MW / ion was down 43 per / t 1974. During the / d, the report con- / power failures were / use of a 45 per cent. / put at the country's / achine tools factory / hile the aluminium / had lost $11m. due / ilures.

re not isolated / Rather they reflect / d situation through- / country—especially / tories have been / enough to believe / rances that power / supplied from the / d and did not there- / ead with plans for / nerators.

w is being made in / and by Government / the failure of the / nerating capacity of / hah, the Great Dam / in, to come onstream / This project, some / behind schedule, was due to be operational this summer, but it is still not ready. The Government is blaming both the American contractors Harza International, a subsidiary of Harza Engineering International, and the French suppliers of the turbines, Alsthom Atlantique, for alleged failure to carry out their obligations. But the story appears much more complex and dates back to problems over siting the dam, tremendous pressure for quick completion of preliminary studies (which did not reveal major faults in the rock structure) and finally, delays in the implementation that left the turbines on site for a year before installation.

Failure

These are the kind of inevitable problems that crop up when things are initiated in a hurry, and though the failure of the Reza Shah Dam to come onstream is clearly a contributing factor to the country's power shortage it is not the real reason. The basic reason seems much more a miscalculation of the rapid increase in industrial and domestic consumption since the Five-Year Plan was revised in 1974—coupled with all the kind of infrastructural bottlenecks, of manpower and raw material shortages that have held up projects throughout the country. Even if the Reza Shah were fully operational, electricity demand would still outstrip supply.

Consumption is increasing now at between 18 and 20 per cent. a year. Officially, the country is short of some 600 mw of power. Foreign specialists connected with the power business believe the shortfall is nearer the 1,000 mw mark and perhaps beyond, given the tremendous expansion of electrification throughout the country, and growing industrialisation. By the end of the current Iranian year, March 1978, it had been hoped to have installed capacity of 4,814 mw. At present no-one seems to know whether this target will be met or whether with the purchase of emergency generating capacity over the coming months it will be surpassed. Current installed capacity is 3,900 mw.

About 71 per cent. of total energy generated is derived from petroleum, 18 per cent. from gas, 5 per cent. from hydro-electricity, and the rest from coal and non-commercial sources. The basic strategy evolved in 1974 was that alternative sources of energy must be developed to replace both oil and gas; oil being regarded as too important to waste, especially as production is expected to begin to decline around 1982. Gas too was regarded as more important to husband for use in secondary recovery, industrial uses (steel direct reduction and aluminium) and as a feedstock for the petrochemical industry. Initially the idea was that gas would replace oil as the biggest single energy source, but over a 20-year period this importance would gradually be superseded by nuclear power. The aim was to have just under half of total energy needs in the mid 1990s covered by nuclear power generation.

This still appears to be the basic strategy. To accomplish this, Iran plans to generate some 23,000 MW of nuclear power by the mid 1990s. In other words, Iran is banking on nuclear energy as the prime source of its generating requirements for the future, and is the first OPEC member to think in such terms. So far, only one contract has been fully concluded—with West Germany's Kraftwerk Union for two 1,200-MW pressure water reactors at Bushire on the Gulf coast in southern Iran. The DM7bn. contract, plus a further DM3bn. for a 10-year nuclear fuel supply deal ($3.8bn. overall) was signed last July, although work had already been well under way. The twin power plants are some three months ahead of schedule and one unit should be on-stream by 1980.

The site of nuclear stations, numbers three and four, has been chosen—on the Karun River below Ahwaz at Darkuvin. However, the contract with a French consortium headed by Framatome has yet to be finalised. Negotiations have been going on for almost three years, and both sides would have liked to have been much further advanced by now. President Valery Giscard d'Estaing, when he visited Tehran last October, said he hoped the contract would be finalised by January 1977 but only in February did Iran manage to agree on a price, believed to be almost 30 per cent. below the original. The price tag now for two 920-MW pressure water reactors will be around $2.2bn. Meanwhile negotiations have begun with Kraftwerk Union for power stations, number five and six to be sited at Isfahan. These will be air cooled. There are reports of the Atomic Energy Authority of Iran wanting to begin work by March 1978. As for announcements that France is willing to supply a total of eight reactors, this seems still to be only a statement of intent.

Objections

More important for Iran, in the meantime, is to harden contracts with the U.S. Originally Iran envisaged purchasing up to eight reactors plus two enrichment plants from the U.S. But political objections from the Ford Administration led to the dropping of the enrichment plants and the U.S. elections last year effectively blocked all further progress on the reactors. Now, with the Carter Energy policy announced, there are signs of a breakthrough, and Iranian sources are confident that a contract can be concluded by the end of the year. The head of the Atomic Energy Authority, Dr. Akbar Etemad, is due to begin discussions in Washington in early August on the conclusion of a bilateral nuclear treaty as the first step towards a sales contract.

Iran recognises that President Carter is anxious to prevent the spread of sensitive technologies, and for the moment has shelved the idea of possessing reprocessing facilities. But significantly Dr. Etemad said earlier this year: "We think we cannot accept that Iran would forever not try to have various elements of the nuclear fuel cycle. However, for the time being we are not establishing installations in Iran which might contribute to the international confusion over this issue." Iran does not want to bind itself to permanent exclusion from being a full member of the nuclear club.

The seriousness with which Iran is approaching the acquisition of nuclear power is impressive. Nuclear research is being boosted at Tehran University and a special centre is being established with French assistance at Isfahan. Co-operation agreements have been signed with several countries and four management contracts have been signed with Britain. Iran itself has also purchased 30,000 tons of uranium, among others from South Africa spending in 1976-1977 $167m. on uranium supplies, and this year Iran began a $30m. uranium exploration programme in Iran.

Nevertheless some major question marks hang over the nuclear programme. The first concerns the future attitude of those countries to nuclear technology and their willingness to transfer this technology. Related to this is the extent to which any one supplier is prepared to become involved in Iran. Would, for instance, it be politically acceptable in Germany for the Government to be seen to be selling more than four power stations to a single developing country? Another question concerns Iran's ability to absorb so many nuclear power stations so quickly—in terms of siting, management, safety and maintenance. Lack of water, high seismicity, transportation of heavy equipment difficulties and security considerations effectively reduce the number of available sites. Also, in the case of seismicity, costs are raised considerably by the need to reinforce against earthquakes. The Caspian coastline has already been ruled out for security and transport reasons. The best sites often are those with the highest power transmission costs.

Bearing all this in mind the Atomic Energy Authority has a daunting task. If one excludes the two German reactors and the two French ones, Iran will have to find sites for and build one new power station a year over the next 16 years if the original schedule for nuclear power capacity is to be met. Added to this is the cost. For every 1,000 MW of installed nuclear generating capacity, total plant, infrastructure, transmission and fuel supply costs will work out at over $2bn. at 1977 prices. Put another way, every 1,000 MW of installed capacity will be roughly equivalent to 9 per cent. of total annual oil receipts at 1977 prices.

Fairly soon, therefore, the authorities will have to take a hard look at nuclear policy and decide just how realistic it is. They will have to decide whether it is advisable to rely so much upon nuclear plants which pose greater problems of management and maintenance—to say nothing of the longer time lags in construction. For instance, the country's huge reserves of gas, the second largest after the Soviet Union, make gas a potential candidate for greater long term use. So long as the world price of gas remains low and transportation costs make it unviable to consider major long contracts overseas, several economists believe greater emphasis on gas could be more cost effective, and satisfy much more quickly the growing energy needs of the economy. Solar energy is an alternative, but this is only at the stage of experimental use in Iran.

A first step towards rationalising energy policy could be closer integration of the Atomic Energy Authority with the Ministry of Energy. At the moment, the Atomic Energy Authority is entirely independent, reporting directly to the Shah, and is in no way under the control of the Ministry of Energy. With this kind of separation, it is hard to see how long term policy can be effectively co-ordinated, with the Atomic Energy Authority having a built-in tendency to justify its own importance.

R.G.

...rochemicals

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ric acid. Production / es 600,000 tons of / ,000 tons of PVC, / of detergent alky- / tons of carbon black / tons of STPP. With / sioning of the Iran- / ochemical Company / Bandar Shahpur in / acity has already / for the annual pro- / some 23,800 tonnes / anhydride and / nnes of DOP

s exist for further / e uncertain. It is / moves will now be / scitate some of the / lied in 1973-75 but / put into cold / hough joint petro- / tures are referred / tocol signed with / ier this month, it / lear whether NPC / ive the joint ven- / ted with Chemie / ria for the produc- / mine. Bayer and / bel were among / panies with which / manufacture of / was discussed and / tent were signed / of Italy and Gar- / nce on setting up / liser plants.

uncertain at this / art is to be played / te sector in deve- / nstream capacity. / role as being con- / to production of / l feedstocks and a / sic intermediates. / te sector's involve- / level is limited. / companies already / Sherkat-e-Aliaf is / g Nylon-6. Two / involving foreign / due on stream next

Persepolis Indus- / involves British / stics with a group / nterests and the / edit Bank in the / resins and mould- / ls. A much bigger / yacryl, combines / group, Sacka Cor- / Industrial and Mining Development Bank of Iran and DuPont of the U.S. in setting up a plant to produce 42,000 tons a year of polyester and acrylic fibres. The company is drawing on a $110m. loan from a group of European and U.S. banks for this project, which is expected to cost over $440m. A third venture, the Irano-Garb group, is apparently going ahead with long-mooted plans to produce various grades of polystyrene. The slow response of the private sector may owe something to technical complexity of the industry, high capital costs, or simply the general economic climate in which investments offering a quick return on capital are widely preferred.

Subsidies

More serious questions are being raised, however, about Iran's ability to dispose of its petrochemicals on world markets without resort to subsidies. Access to plentiful resources of cheap feedstock and the size of the domestic market may assure the overall commercial viability in the long term. But against these assets must be set construction costs in Iran and the Gulf which are 50 per cent. higher than in the West, and NPC sources concede that Iranian prices are likely to be substantially higher than those prevailing in world markets. Joint ventures such as IJPC will provide some important outlets. Another possibility, recently proposed by Mexico, may emerge with the construction of joint venture plants overseas, which would be supplied with Iranian feedstock and sell intermediate products direct in the local market and further afield. But industry sources see little chance of Iranian products being sufficiently competitive in either price or quality to be assured of a place in the main consumer markets in the short term, and in the long term the prospects are still uncertain.

Nicholas Cumming-Bruce

General trade on the decline

IRAN STILL remains the *biggest single importer in the* Middle East; but over the past year the pace of import demand has slackened considerably as economic growth has dropped to around the 13 per cent. mark. This trend is expected to continue at least for the remainder of the present Iranian year, ending in March 1978, and probably for the initial phase of the new Five Year Plan which is due to run from March 1978.

Preliminary figures on a customs basis supplied by the Ministry of Commerce show that in volume terms non-military imports rose 15 per cent. to 15.3m. tons in the year ending March 1977. This compares with an average annual increase of just over 40 per cent. for the previous two years. Imports by value, meanwhile, rose 23 per cent. to $14.1bn.—compared with a *previous two-year average of 77* per cent.

Traditionally, military imports have figured prominently, and are an important element in the overall size of the import market. They now account for about 27 per cent. of total imports or some $3.5bn. However, the military import figure never shows in trade statistics, merely in disguised form in the balance of payments. It is worth noting here that military imports are expected to continue to increase at a faster rate than ordinary commercial imports.

Whereas in the years before the 1973 boom, clogged ports and poor distribution were the main constraint, the slowdown now is primarily attributed to a more modest growth in demand. Inventories are still high and in some instances the market has clearly become saturated. For instance there are over 2,500 unsold trucks in the country, lying idle in parking lots. The situation in the ports *has improved considerably*, and most observers believe that the ports can cope with any reasonable increase in import demand. In fact the real growth in imports was probably much slower than the figures suggested last year, since a portion of that increase represented the clearance of goods already delivered to the ports.

Allocation

On the non-military side four items account for almost 60 per cent. of the total—machinery and parts (24 per cent.) steel products (17 per cent.), vehicles and parts (12 per cent.) and electric machinery (7 per cent.). This is a natural reflection of the huge investment in infrastructure, construction *and* industry. Iran still relies heavily upon steel imports, earth moving equipment, and machinery from abroad to say nothing of ckd units for the automotive industry. One encouraging feature from the Iranian point of view was the relative decline in the *importance of foodstuff imports*. In particular during calendar year 1976 cereal imports dropped 40 per cent. to $359m., with wheat registering a 60 per cent. drop to $152m. Foodstuff imports may well rise again this year quite sharply due to lower rainfall and a policy by the Ministry of Commerce to build up buffer stocks of essential commodities.

Reduced purchases of agricultural goods is the principal explanation for a drop in the U.S. share of the market and in its overall volume of non-military exports to Iran. The U.S. has now been overtaken as the "league" leader by both West Germany and Japan, which have captured 35 per cent. of the total non-military market, though the U.S. would lead if military sales were included. The Germans have done exceptionally well in a whole range of sectors while the Japanese owe their increased sales to major steel supplies and their heavy involvement in the expansion of the petrochemical sector. Interestingly, Saudi Arabia is now as large a non-military market for U.S. goods as Iran.

U.K. trade with Iran is discussed in detail in a separate article; but here suffice it to underline that its position is being challenged by both France and Italy—though the large number of British military sales contracts will continue to give it an overall edge. Other interesting suppliers to Iran are India and South Korea, the latter in particular having forced itself into the top twelve for the first time.

In terms of trading blocks, Iran does over 40 per cent. of its total trade with the EEC, oil included. Outside the U.S., Switzerland and Sweden, Iran is the fourth trading partner of the EEC, which helps to explain why it is so insistent on being given some special trading arrangement. However, on the Iranian export side, oil is really the only commodity traded with the non-oil exports amounting to $164m. in the first nine months of 1976-77. The lopsidedness of the trading relationship makes it difficult for both sides to decide what each other wants, and Iran has yet to be specific on what it would really like other than a privileged position.

Trade with Eastern Europe is primarily conducted on a clearing basis. Though Iran regards a trading link with Eastern Europe as important, the actual amount of trade involved is minimal and in percentage terms is decreasing. Eastern Europe now has 3.8 per cent. of the non-military import market and takes some 19 per cent. of non-oil exports. If gas sold to the Soviet Union were included, the figure would be substantially higher. Iran is reducing its purchases from Eastern Europe largely because its own financial situation has so improved that it no longer need shop in "cheap markets." For instance, Romania, which has been the main non-military supplier for some years, will gradually lose its position (1.1 per cent. of the total market) as tractor imports decline.

LEADING EXPORTERS TO IRAN
(dollars bn.)

	9 months 1975-76	% of total	9 months 1975-76	% of total
West Germany	1.37	17.5	1.71	18.3
Japan	1.30	16.6	-1.59	17.0
U.S.	1.51	19.3	1.42	15.2
U.K.	0.68	8.7	0.66	7.2
Italy	0.26	3.4	0.55	5.8
France	0.33	4.2	0.46	4.9
Switzerland	0.17	2.1	0.34	3.6
Other	2.20	28.3	2.50	28.0
Total	7.82	100.0	9.35	100.0

Note—Figures have been rounded. The 12-month fig to March, would raise the annual by more than appear from nine-month figures since accelerate occurs in the last quarter.

Source: Compiled from Ministry of Commerce custc

Newcomers

Looking ahead, South America, especially Brazil and to a lesser extent Mexico and Venezuela, will begin to have a stake in the Iranian market. Last month's Latin American visit by Finance Minister Mr. Hushang Ansari saw the conclusion of a major trade agreement with Brazil. Next year Brazil is expected to be supplying Iran with some $240m. worth of goods (soya, maize, meat, rice, sugar, vegetable oils and railway equipment). In return Iran will provide crude oil worth $660m.

The use of crude as a means of payment for imports has emerged over the last year as a major new development. Initially, crude oil barter arrangements were limited to cover the purchase of defence equipment, but now the Iranians are prepared to consider it wherever practical. For instance, Italian equipment and goods for the Bandar Abbas steel complex are being paid for with crude oil and the National Iranian Steel Industries Corporation (NISIC) is considering similar arrangements for another steel c Isfahan. Payment nuclear power static roads have been cc this basis.

The extent to wh in crude oil will significant element trade remains to b the moment the au using it as an be activated if thei sales suffer, or if into any easy tighter financial crude barter is instrument of trade intend to exploit can. As it is, paym ports has switched to a credit basis o 18 months.

Iran's non-oil ex low. In volume declined in 1976-7 cent. to 1.04m. tons ago the total was In value they inc cent. to $625m. reflects the higl internal demand. I principally concer ing to keep pace crease of internal most valuable co ported is cotton (: only 16 per cent. efforts are being r the level of non But short-term medium-term it is real improvements The authorities their hopes on chemical sales bac and automotive e late 1980s.

Banking brought under control

THE MOST significant trend to emerge from the recently published Central Bank annual report is the sharp cutback in *the expansion of credit* to the private sector. This reflects a sharp switch away from the liberal credit policies of the two previous boom years, and a determined attempt both to limit credit to the private sector and to channel investments into productive sectors. This policy will almost certainly continue for the remainder of the current year, even though it seems that more funds from higher than anticipated oil revenues will be available.

It is now accepted that, though difficult to contain at the time, the massive increases in credit to the private sector in 1974-75 and 1975-76 were highly inflationary. No economy can continue to absorb credit increases of the order of 55 per cent. a year to the private sector without creating over-*heating, especially* where the infrastructure is still weak. The Central Bank managed to contain the increase in private sector credit last year to around 38 per cent. This may still seem high but one third of the total increase was accounted for by the ten *specialised* banks like *IMDBI* and the Agricultural Development Bank—reflecting the continued emphasis by the authorities on medium term finance for productive investments.

The Central Bank still has to cope with a relatively immature banking system. This manifests itself in many ways, but as far as credit is concerned the commercial banks still manage to reach their credit ceilings in the *early* part of the year. This means that credit becomes tighter towards the end of the year, and a certain amount of arm twisting is applied to the Central Bank to permit credit increases to go above the ceiling. Ideally the authorities would like to have seen credit expanding to the private sector at 35 per cent. last year. The fact that it was nearer 40 per cent. was largely due to limited *relief being allowed* by the Central Bank when banks reached their ceilings. As for the specialised institutions they do not strictly have ceilings—rather it depends upon the *number of projects with which* they are presented. But, for instance, in the case of IMDBI total financial assistance dropped 10 per cent. to IR38.7bn. (540m.) in 1976-77.

The Central Bank would like the private sector credit expansion kept below 30 per cent. *this year as low as 25 per cent.* for the commercial banks. To tighten up on credit, the authorities decided on June 15 to raise the bank rate 1 per cent. to 10 per cent. This made the effective borrowing rate for commercial banks 14 per cent. The specialised banks *were unaffected except where* construction loans were concerned. Here the interest rate was raised from 9 to 10 per cent. —part of an overall move to restrict the amount of lending by the banks to the construction sector, which has become very overheated. Last year 47 per cent. of all credit was absorbed by this sector. Though individual banks *all* deny being heavily involved in financing land and property speculation, *it nevertheless seems fairly* clear that a great deal of private resources are being channelled in this direction. Land prices went up by 70 per cent. last year. How much anyone can suceed in effectively reducing the importance of construction in the overall allocation of *credit is very much open to* question so long as this is seen as the single most profitable area of investment and when the country still needs so much construction work to be done.

Measures

Other measures instituted by the Central Bank in the past eight months to curb private sector liquidity include the raising of the rediscount rate (from 7 and 8 per cent. to an across the board 9 per cent.); and requiring commercial banks to *place 30 per cent. of new* foreign exchange borrowings with the Central Bank. With credit increasingly tight commercial banks during the past 18 months have found it easier and more convenient to seek funds abroad. To ensure that the banks do not become over-*exposed, the Central Bank has* also requested that they limit net foreign positions to the amount of paid in capital.

Some of the commercial banks feel that they are being *squeezed too hard by the Central* Bank. One bank manager pointed out that the increase in the bank rate had made it unattractive to handle time deposits. On a year's fixed deposit banks pay 10 per cent. But of this sum deposited, the bank is obliged to place 15 per cent.

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State a barrier to investment

...ace of it Iran has ...going for it than ... other developing ...ttract investment. It ...omestic market of ...e, the economy is ...it over 12 per cent. ... revenues provide ...ntial sums of money ...ent and overall con... ...nd the Government ...o promote an active ...private sector with ...ticipation. This is ...bination of favour... ...; yet despite this, ...y the private sector ...he past two years, ...ointing.

...nt officials can pro... ...nds of statistics to ... a constant increase ...nt, like the number ...ory licences granted ...nand for loans by ...sed banks; and with... scrutiny it is easy ... that confidence is ... fact the continued ...ehind investment is ... sided, stimulated ... heavy concentration ...n construction and ...ed flow of Govern... ... into key industrial ... petrochemicals and

...ists, on the other ... tended to complete ...ojects but refrain ... new investment due ...nties over Govern...s on share participa... ... price control and ... Many have pre...ead to put their ...id or into what has ... most profitable of ...roperty and con... ...rivate sector invest... ...an construction pro... ...2 per cent. in the ...nonths of the last ...r, 1976-77, totalling

...tainties of the busi... ...unity stem back to ... when the Govern... ...iled its plan for ...nterprises to distri... ...cent. of their share... ...their employees and ... At the time 320 com... ... singled out, begin... ...106, to take part in

Iran would like to increase domestic manufacturing capacity. Here, shoes are being made at a factory in Melli.

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...rnment aim was to ...wider ownership, ... give employees a ...ng of identity with ...nies and to stimu... ...npanies themselves ...ing their manage... ...iques. The indus... ...the other hand dis... ...at was seen as ... interference, were ... dilute control or ...s look into their ...ere afraid that the ...it on their shares ...flect the true value. ...foreign companies ...there were under ...their rate of return ...fected along with ...to control manage...

...any of these fears ... groundless. The ... despite setting out ...ble for the scheme ...te by March, 1978, ...uch more flexible. ...51 companies have ...) per cent. of the ... cent., with com... ...permitted to com... ...eration in three ...riginal list of com... ...onger used, and it ...at enough of the ...es will meet the ...eria for share dis... ...in the timetable. ...t itself has dis... covered that share valuations have been fair and that there has been no loss of control. The authorities have also enabled existing company shareholders to obtain a larger proportion of the price paid for their 49 per cent. in cash (it has been raised from 6 to 14 per cent.). In addition the bonds covering payment of the remainder have proved relatively easy to trade.

Foreign companies with stakes in the companies concerned have overcome their initial shock. Albeit reluctantly they have accepted that this is a policy which, though flexible, is here to stay. But, from the Government point of view the disturbing aspect of the scheme is this: it has provided much needed liquidity for the private sector for assets which without the scheme, could not have been easily realisable. This liquidity, instead of being used to reinvest or to employ elsewhere for other productive ventures has more often than not gone into land or has left the country for investment in farms in California, houses in London or flats in the south of France. This effect, which shows no sign of reversal, tends to outweigh the positive fact that 72,235 industrial employees and 125,745 farmers have so far acquired shares in Iranian industry to which they otherwise would never have had access.

If the share participation scheme initiated a fall off in investment confidence this trend was accentuated by rigorous price controls. The Government has resorted to price controls as a means of controlling inflation since mid-1975. However, as wage costs have risen on average over 35 per cent. a year, land costs by over 60 per cent. a year and imported goods by over 20 per cent. a year since then, profit margins have been squeezed. Indeed they have been squeezed to the point where losses are about to be made by many companies. The companies have themselves to blame in part because the authorities have been hardened over the years to believe little of a company's books—and with good reason. Worst affected in this respect are foreign companies with investments in Iran who have costed operations on a tighter budget.

The issue of price control is now the biggest single negative factor affecting business confidence. There also seems little relief that the Government is likely to give in the near future. In a very frank session with the inaugural luncheon of the Anglo-Iranian Chamber of Commerce last month, Commerce Minister Manouchehr Taslimi said the Government first had to think of the social consequences of removing price control. Indeed, the Government clearly is afraid of opening a flood of higher product prices which would further fuel the rate of inflation, already running at over 30 per cent. on unofficial calculations.

Productivity

Another important element is the whole question of labour costs versus productivity. In an exceptionally tight labour market wages have reflected demand. Any effort at restraint is undermined so long as all levels of labour are short. Labour costs are further increased by insistence until now by the Ministry of Labour on companies paying between two and three months bonus at the end of each year, pushing the annual wage bill up by over 35 per cent. yet with productivity lagging well behind.

Where employers have tried to impose restraint they have frequently found a well organised labour force capable of go-slows and strikes (even though illegal) which by and large have succeeded. Most employers recognise that despite these hefty increases, workers still find wages cover essential needs very thinly. Rentals and land prices have risen so sharply that as much as 60 per cent. and more of take home pay goes on housing. These labour problems have also had the effect of frightening potential investors away from labour intensive projects.

Finally, investors have found that they face a host of irritations, from seemingly arbitrary Government rulings, to problems over the supply of raw materials and essential utilities like water and electricity and to long battles with the taxmen in the Ministry of Finance. One American company disclosed recently that the tax authorities were still discussing their 1973 assessment. At present there is also a major row among foreign consultants who are fighting a ruling that tax be applied on turnover at the rate of 45 per cent. instead of on profits.

All these considerations have tended to take the gilt off the gingerbread, and for foreign companies such measures as Government restrictions on the level of investment, which at first seemed the most unpalatable, have now become the most acceptable. Here the Government has shown a good deal of flexibility on its theoretical ceiling of 35 per cent.—permitted for foreign ventures in high technology sectors, especially in the petroleum, petrochemical and military fields. Indeed, these three areas are the only ones which have witnessed substantial foreign investment in the past two years.

In one sense this is perhaps an uncomfortable transition period. The Iranian business community, accustomed to exceptionally quick and high returns on capital, pampered by high tariff barriers and an uncompetitive market, is now having to adjust to a more sophisticated economy. Its reactions have been the natural ones of a community motivated by short-term gain. But the Government now has to convince, not merely with words, that it is pro business if it wants to have a vigorous private sector. This is not going to be easy so long as Government policy remains primarily motivated by socio-political considerations.

R.G.

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...ral Bank (at 1 per ... buy Government ...a further 45 per ...ng 9 per cent.): ...nly have 40 per ...unds to play with ... the depositor 10 ...rn on the whole. ...l Bank would like ...e other hand that ...onetary policy as ...nstrument to con... In a broader ...ntral Bank is also ...en up the banking ...e more efficiently ...s of the economy. ...w being obliged ... to create special ...r bad debts ...2 per cent. of loan ...y 1981. More ... Central Bank has ..., 1978 as a target ...commercial banks ... capital to a mini... ...$42.5m.).

...ast two years the ...l banks have all ... capital, several ... But the stimulus ... been more the ...ut the lending to ...e 15/1. In 1976-1977, 17 of the 35 commercial and specialised institutions raised their capitals, so that by the end of March total capital of the system was IR204bn. ($2.9bn.). Roughly half of this was accounted for by Government-owned commercial and specialised banks.

The commercial banking sector is still dominated by the big five—Bank Melli, Bank Saderat, Bank Sepah, Bank Omran and Bank of Tehran. These account for almost 75 per cent. of all deposits and 70 per cent. of all loans and credits. Bank Melli is by far the largest and still occupies a very special position dating from the time when it acted as a sort of central bank before the Central Bank was established in 1960. Most Government business is channelled through Bank Melli (for instance, all State utility bills), and it is one of the few banks which enjoys no shortage of rials or foreign currency. Frequently it is responsible for a rather one-sided inter bank market, with the other banks seeking short term rials or foreign exchange from it. Bank Melli at March 21, 1977 had deposits totalling R394bn. ($5.5bn.) and credits outstanding of R334bn. ($4.6bn.)—and accounts for almost 30 per cent. of total commercial bank assets.

Profits

The banks have managed to turn in consistently high profits—making banking arguably the most profitable sector in Iran. Bank Melli increased net profit by 77 per cent. last year to R[illegible]bn., Bank Omran by 50 per cent. to R561m. In fact the banks' critics argue that they have life so easy that until now they have had little incentive to streamline their operations, improve management techniques and carry out proper budgeting. Moreover the market has been sufficiently large for all the banks, no matter how small, to have a share and be happy. But perhaps an indication of things to come is how the International Bank of Iran (with a 35 per cent. Chase backing) has managed to establish itself in just over 16 months. Using modern management techniques and setting out to compete largely on the quality of its services it has proved that inroads can be made into the traditional fiefs of the system: and in the first full year of operation had a net income of IR401m.

The Central Bank is unlikely to grant any new licences for commercial banks, and for a good year now has preferred to see the existing system improved. It has, however, continued to permit foreign banks to open representative offices, of which there are now 57. Some of these are a little disappointed in the results of their operations, and in the way in which the authorities have for the moment lowered their sights on Tehran becoming a major capital market. Most, however, realise that it is worth their while to have a presence in Tehran—partly because all the leading international banks are represented and partly to keep up existing correspondent relationships and perhaps direct new business for their head offices.

R.G.

The Financial Times Monday July 25 1977

Myriad problems beset industrial investment

A FEW weeks ago a highly illuminating report was published in Iran on the investigations of an Imperial Commission into the state of industry. Of four major plants studied, one had lost over $11½m. in the past two years as a direct result of power shortages; another "core" manufacturer is operating 45 per cent. below capacity five years after production began; a private company was capable of producing 5,000 units of heavy road machinery, but was actually turning out under 1,000, domestic demand being about 1,200 a year, and there had been heavy imports as well.

The disclosures showed both the extent of the hidden inefficiency known about but not previously admitted, and the determination at the top to put Iranian industry on a firm footing as soon as possible. The mentality born out of the comfortable cushion of huge oil revenues and almost insatiable domestic demand is proving hard to eradicate. But urgency is provided by the pessimistic private conclusions drawn by a visiting foreign diplomat: that real income levels are likely to fall after the early 1980s. On present indications manufacturing industry will not be in a position by then to make up for the decline in oil exports.

The most immediate worry is over power shortages which have cut output across the country by some 20-25 per cent. over the past year. Some sectors have been worse hit than others. Heavy power users like Iran National, the vehicle manufacturers, and the Arak aluminium factory are finding production seriously interrupted. Total Iranian car production last year was only 92,000 units, whereas the most recently revised programmes had expected 150,000.

Soaring labour costs and decreasing productivity have added to industrialists' woes. It is hardly surprising that labour unrest has become a feature of the Iranian scene when accommodation can take up to 70 per cent. of a wage. From the workers' point of view the annual bonuses, the profit sharing and share distribution schemes help to some extent. But these novel features have been applied in an arbitrary way, so that even firms making considerable losses have been forced to pay out. A law is currently going through Parliament to try to link wages to productivity.

Evidence about the trend in private investment in manufacturing industry is contradictory; so that while the Managing Director of the Industrial and Mining Development Bank, Mr. Abol Gasem Kheradjou, admitted to being seriously worried by the decline, Deputy Industries Minister Argahi claimed that last year investment rose by 23 per cent. outside the prolific construction sector.

Distortion

The large profits available from property development, and construction in general, has obviously distorted the investment picture. Another powerful influence in favour of light manufacturing, consumer goods industry (and against the heavy sector in which the government is keen to promote private investment) is the five year tax holiday granted to new ventures.

The recent fortunes of the British Leyland operations in Iran provide an apt—though perhaps overbleak—case study of the vehicle industry. The demand for Land Rovers continues unabated. Some 4,650 were produced last year from this wholly Iranian-owned operation; and this figure should reach 5,500 (or perhaps even 6,000 with the aid of CKD units from Britain) in 1977, though much depends on the vagaries of the power supply situation.

Buses also continue to find a ready market: 300 were produced last year. However, in the truck business there is a serious glut resulting from the large number of new and second-hand built-up models imported by the Government last year. The only people doing well are Daimler Benz which has a large share of the market. The recent construction slowdown (due to cement shortages and controls on building permits) has only aggravated the situation for all the truck assembly operations in Iran. Leyland is only turning out five or six a day, mainly of the upper model it has to itself.

As for Leyland's new developments, there is still no progress on the $25½m. foundry, while the Tabriz engine plant has been carrying heavy losses for 3½ years in the hope that conditions would improve. The plant was intended to produce 5,000 heavy engines a year: but manufacture was not thought economic in present circumstances, and it is now banking on gaining agreement to start making Land Rover engines in the near future. Later on there may even be the assembly of tank transporters.

But vehicles in Iran means Iran National, the Chrysler U.K.-supplied manufacturer of a range of cars and vans. Over 60 per cent. of the components are locally manufactured. However, the collapse of the GKN castings project has been a setback to the hopes of achieving a much higher local content.

Demand for the Peykan, the marque based on the Hillman Hunter, continues at a high level. The waiting list is six months for most models. Its own foundry is not fully operational 2½ years after it was inaugurated by the Shah, and complete engines are still being imported from Britain in the CKD packs. Chrysler U.K.'s own contract comes to an end in the early 1980's. Iran National have secured their agreement in the meantime to be able to co-operate with other suppliers as well.

Ideally the Ministry of Industry would like to see three large vehicle manufacturers in Iran, as in the United States. Renault are well placed to be the second to Iran National, and production has started of the Renault 5TL (two years behind schedule) and the Dyane also finds a ready market. But it is hard to see at the moment who is going to be the third. General Motors' car assembly operation was misconceived as their basic interest is in the large-scale production of trucks. At present the Chevrolet Iran, based on the Opel Commodore, is the main model, of which some 19,000 have been produced. This year another setback was the fire at the Julfa customs post on the Soviet border.

The Government has resumed talks with Volkswagen, to persuade them to set up in Iran as well. But it is thought these are still at an early stage. Meanwhile a range of other plants producing vehicle accessories are about to come on stream, including Pirelli tyres and Lucas electrical equipment.

Price controls have been perhaps the most serious deterrent to new investment, and is perhaps the main reason given for the growing caution of foreign companies. In its application it has been a crude and inflexible instrument. There are also apparent cases of discrimination within an industry, so that while Iran National was allowed to raise its prices by 19 per cent. last year, those for Land Rover only went up by 7½ per cent. The controls are likely to be maintained for at least the next five years.

Ideally the Government would like to withdraw from the heavy machinery and equipment industries, as well as copper and steel after the smelting process. Petrochemicals are also to be opened to the private sector. The new philosophy is that private enterprise being more efficient they are likely to be able to compete better on international markets. During the Sixth Plan the Government is hoping private industrialists will invest at least $1bn. in chemicals and petrochemicals alone.

However, the mood is not so auspicious. Although some officials argue that the low levels of company taxation and the generous attitude towards profit margins (25 per cent. is considered reasonable) ought to be sufficient incentive, new investment in industry appears to be on the decline. It may be that the industrialists have been spoiled by the halcyon days of a few years ago when profits were not uncommon. The share distribution scheme also seems to have been another disincentive. So, although it is very difficult to judge accurately, many observers feel that most surplus cash is going into land or else abroad.

Mixture

In the steel industry the picture is a mixed one. By the end of the Sixth Plan the Government is confident of having 10m. tons a year, compared with the present production levels of just under 1m. tons. By 1983 it is hoped that three new facilities based on the modern gas-reduction technology will be in full operation—at Ahwaz (2½-3m. tons), Bandar Abbas (2½m. tons), and Isfahan (1m. tons). The balance is expected from the old, Russian-built Aryamehr steel mill near Isfahan.

At Ahwaz production beg[…] in January at the first part of the Thiessen-designed plan[…] 330,000 tons of sponge steel […] year is being turned ou[…] British Steel have won th[…] management contract for th[…] Isfahan plant (originally it wa[…] planned that they would con[…]struct the whole operation […] and on present plans the wo[…] will be divided up into separat[…] packages.

A decision is awaited […] NISIC—one of the two Gover[…]ment steel companies—[…] thought to want an oil bart[…] deal to pay for the work. C[…]sortiums from five countries[…] Japan, West Germany, Fran[…] the U.S. and Britain—are […] the running. But the German[…] Thiessen and Krupp (in whic[…] Iran has a 25 per cent. stak[…] are considered to be th[…] favourites.

However, in the private se[…]tor the fortunes of the Shahry[…] group in Ahwaz, who produ[…] steel billets from scrap, are […] encouragement to further […]vestment. For the past […] months the plants have stop[…] work because it proved chea[…] to import the product than […] was to manufacture locally. T[…] Government company is […] pected to take over the op[…]tion shortly.

Textiles, the oldest establis[…] branch of Iranian industry, a[…] one in which there was consid[…]able expansion a few years a[…] is in the doldrums. Output l[…] year increased by about 12 […] cent. to 550m. metres, but […] management, high labour a[…] cotton costs have had a seri[…] effect on the structure of […]dustry. Several "weak siste[…] either have been or are a[…] to be taken under the wing[…] IDRO, the Industrial Deve[…]ment and Renovation Orga[…]tion. The brightest prospec[…] this field is the $500m. Du[…] plant near Isfahan. This sh[…] be in operation in a year's […] and its synthetic product[…] considered by the Govern[…] as a potential export earne[…]

Andrew Whi[…]

U.K. exporters lack drive

A DOUBLING of exports to Iran over the next three years is the target the U.K. set itself at the fifth meeting of the U.K.-Iran joint Ministerial commission in January, attended by Secretary of State for Trade Edmund Dell. The target is entirely within the bounds of possibility, given the opportunities in Iran, but success in achieving it will require substantially greater efforts on the part of British industry. Provisional figures for the first half of 1977 forestall criticism that exporters have not been pulling their weight in Iran, but do not dispel concern that interest in new opportunities in Iran is not commensurate with what is the U.K.'s biggest market in the Middle East and one that offers longer term prospects than are available in many of the region's smaller countries.

Exports to Iran during the first six months of the year amounted to some £324.4m. according to initial estimates, which represents a reassuring rise of 26 per cent. over the same period of last year after the meagre 3 per cent. growth recorded for the whole of 1976. And set against a six-month rise of only 2.6 per cent. in imports from Iran, which amounted to some £477.8m., it seems the U.K. may at last be moving to redress the hefty £540m. deficit run up in trade with Iran last year. Whether this improvement will prove sufficient to enlarge the U.K.'s share of the market remains to be seen. The only consolation for last year's performance was that others fared worse—U.S. exports to Iran fell by 14 per cent. in 1976. At the same time, however, the U.K.'s other main competitors, France, West Germany and Japan, all achieved better results. The lower level of U.K. sales may have owed something to the perhaps over-publicised slow down in the Iranian economy but was still a dismal showing against the 17.7 per cent. growth in Iran's total import recorded by the Customs Administration for the last Iranian year. Now that Iran is resolving its cash flow problems and preparing to embark on a new five-year plan, a repetition of last year's growth would be tantamount to failure.

The biggest single component of U.K. exports is made up of machinery which last year brought in some £152m., including over £18.2m. from sale of internal combustion engines and over £10m. from gas turbines, and nearly £15m. from a variety of spinning and weaving equipment. Transport equipment earned £90.8m., including £43.8m. from the sale of cars. A major share of those sales will have been accounted for by the supply of 70,000 units of the Hillman Hunter in knock-down form to Iran National which assembles and markets them as the Paykan. British Leyland is involved in joint ventures producing buses and diesel engines, for the supply of some £14m. worth of Land Rovers in the course of the year. Electric machinery added £557.1m. to export earnings while other major items included iron and steel goods (£24.5m.), metal manufactures (£28.3m.) and pharmaceuticals (£14.7m.).

Contracts

Much of the U.K.'s exports to Iran is carried on the back of small contracts, many under £5m. in value. Exceptions during 1976 included a $37m. order placed with Ruston Gas Turbines for the supply of industrial compressor units. Foster Wheeler won a contract last year to build a £125m. steel mill at Isfahan and another earlier this year worth £13.5m. to build the refinery Iran is setting up as a joint venture with Korea. For the future, GEC is competitively placed to become lead contractor for the £1,000m. construction of the Tehran-Tabriz railway, studies of which have been carried out by British Rail's consultancy subsidiary Transmark. The U.K. is not, however, competitive in some of the fastest growing areas of industry such as petrochemicals, dominated by the U.S. and the Japanese, construction of nuclear power stations, where West Germany and France are leading the field, possibly to be joined by the U.S., or the steel industry, where technology is being supplied by a variety of European companies. The closest Britain has got to these sectors have been advisory agreements, such as British Steel Corporation's contract, said to be worth some £30m., to provide management, technical and training services to a steel plant project in Isfahan.

Defence is the one area where the U.K. is ahead of all competitors bar the U.S. Yarrow's £55m. contract to build four naval support ships for the Iranian Navy is just one of a number of highly lucrative contracts that are expected to be awarded to the U.K. this year. BAC is expecting three contracts covering technical support operations and the local assembly of Rapier missile systems on top of the £400m. order it won for the tracked version of the Rapier last year. Negotiations are understood to be coming to a head with Millbank Technical Services on setting up a tank workshop and Vickers is negotiating the sale of up to 175 armoured recovery vehicles worth an estimated £80m. and British Leyland is understood to be resuming talks on the supply of up to 1,000 tank transporters, a contract that would generate large spin-off orders for Rolls-Royce engines. One of the more contentious projects, involving establishment of a complex ordnance factory at Isfahan. MTS started as lead contractor for the venture, expected to cost some £700m. until work was halted in 1976. Considerable readjustment of the project's specifications appears to be under way, but a contract on some aspects of the project are expected to be placed this year.

The successes of Chrysler, Hawker Siddeley and British Leyland emphasise the advantages of direct participation or licensing agreements with Iranian companies. Among the other companies operating in joint ventures are Massey Ferguson, which started with assembly of tractors and is due to go on to Perkins engines, John Thompson which is manufacturing packaged boilers, CompAir producing industrial compressors, Alfred Herbert, the production of machine tools and Conveyancor for the production of fork lift trucks. Most of the ventures, however, came to fruition after many months of hard bargaining. The British Embassy in Tehran has not noted any fall off in interest in such ventures, but few of any size emerged in the course of 1976. An exception was the 600 Group which embarked on a joint venture with the Industrial Development and Renovation Organisation for the manufacture of machine tools and Jones Cranes.

With the growing competition in Iran, joint ventures can be expected to play an increasingly important part in determining the direction of import orders. The pick-up in Iran's economy is already apparent in an increased flow of new protocols and trade discussions and conditions for U.K. businessmen in Iran are improving with the addition of organisations such as the Irano-British Chamber of Commerce earlier this year. In the last analysis, however, it is the commitment and staying power of individual U.K. companies that will make or break the plans to double the U.K.'s export takings.

By our Foreign Staff

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Farming lags behind

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not available but in 1975-76 the volume amounted to over 1m. tons of wheat and 200,000 tons of rice. Despite last winter's good crop the Minister of Commerce has warned that grain imports are likely to top the 2m. ton mark this year. Having been in a position of near self-sufficiency in the 1960s, Iran is now heavily dependent on imports.

Potential

Iran's agricultural potential is certainly limited by the fact that rainfall is scanty at 300-350 mm annually and less than the country's area of 1.6m. square kilometres is cultivable. Yet, clearly, there is still considerable unexploited potential. In the course of the period of the Fourth Plan the Government became fully aware of how dangerously agriculture was lagging behind. As a result, a new emphasis was placed on the sector in the Fifth Plan (1973-78). With the raising of targets after the price explosion, the State's projected expenditure (current and capital) was raised to over $6bn. and it was anticipated that as much as $1.9bn. of private capital would be invested.

For Iran the creation of a vigorous, expanding agricultural sector is not just a question of economics. Socially, it is a necessity given that 50-55 per cent. of the population still lives in rural areas and that over 35 per cent. of the work-force is engaged in agriculture, although the sector accounts for probably less than 15 per cent. of Gross Domestic Product. With a low literacy rate and widespread ownership of productive units, as well as a shortage of qualified extension workers, it has proved difficult to introduce new technology.

Rapid industrial development inevitably meant that population would be drawn from the countryside to cities. Yet the relative stagnation in agriculture has been such as to lead to a big exodus from the land to urban areas and to threaten the longer-term health of Iranian farming. According to official statistics, people have been leaving the land at the rate of 250,000 annually over the past 20 years during which the price of wheat, for instance, has only doubled and the yield from it has only gone up marginally.

Over the past few years wage rates for agricultural labour have risen rapidly at a rate of 35 per cent. annually. Yet a typical daily wage of IR300 ($4.30) a day in one of the more prosperous farming areas compares with one of as much as of IR1,000 a day for semi-skilled hands in the new big industrial projects. Generally, it has been the younger, more adaptable and better qualified manpower which has been leaving the rural areas. The result has been a keenly felt shortage resulting in wage demands which the larger landowners say that they cannot meet—and some strikes. Many smallholders have been taking up jobs in industrial centres while keeping possession of their land but leaving it fallow.

There is certainly a reluctance to invest. According to a report in Rastakhiz, the official newspaper of the single party, there are only 10,000 more tractors on the farms than there were at the beginning of the implementation of the Shah's Land Reform 15 years ago. Last year the new assembly line established by Massey-Ferguson in conjunction with local partners turned out 5,000 tractors. However, only a quarter of them were sold by the state agency concerned, according to informed observers.

At the same time there has been—as a result of the shortage of skilled labour—a clear switch away from labour-intensive cash crops such as cotton and tea. Despite higher world prices, production has dropped. Acreage gained for human consumption and animal feedstuffs has increased. An important factor here has been the minimum support prices set by the Government for all major crops except wheat, and vegetables. Farmers also enjoy generous in-put subsidies. Yet productivity remains far lower than it should be.

Fundamental to the problem is the small units of production and fragmentation of ownership. Last year it was estimated that over 80 per cent. of Iranian farms were under 11 hectares in size. With only 40 per cent. of the good land they accounted for only 20 per cent. of the produce coming to the market. Those between 11 and 100 hectares in size provided about 75 per cent. of non-subsistence output from a total acreage not much larger. The big farms of over 100 hectares in size were reckoned to take up about 12 per cent. of the arable land but produced only 8 per cent. of the goods marketed. For this situation the Shah's Land Reform—popular and even necessary in political and social terms—must bear some responsibility. For five years now policy, disconcertingly for Iran's inefficient farmers, has been directed towards consolidation.

Promote

Nearly seven years ago it was decided to promote large-scale commercial farming aided by local development finance and with foreign participation. The principal area singled out for this experiment was the province of Kuzestan in the south-west of Iran where there were huge tracts of flattish and largely uncultivated land which, it was hoped, could be brought under modern agriculture with the use of irrigation, fertilisers and good management. Four ventures were formed—Iran Shellcot (Royal Dutch Shell 70.5 per cent. and Mitchell Cotts 4.5 per cent.); Iran California (Bank of America 19.02 per cent., Transworld 18.11 per cent., John Deere 4.14 per cent.); Iran America (Citicorp International Development 7.64 per cent.); and Iran International (Mitsui Diamond "A" Cattle Ranch, Chase Manhattan and Hawaiian Agronomics—all 15 per cent.). Of the 60,800 hectares allocated to the four groups no more than 15 per cent were under cultivation by the end of last year.

In financial terms they have been a failure despite the expertise involved and the evidence is that the Government is seeking an honourable way of liquidating the ventures. For development, perhaps, the main lesson learned related to the human problems created by an experiment which ran counter to the principles and objectives of the Land Reform. Understandably the 6,500 people who had to be evicted from their land at the begining were not pleased. Subsequently, they have shown a peasant-like reluctance to become wage employees of these large farm corporations. The experience appears to have answered negatively the question whether large-scale commercial farming can have a level of profitability comparable with industry. At the very least it would seem that the State will have to bear a large scale of capital costs by financing ventures through such institutions as the Agricultural Development Bank of Iran if they are to succeed in future.

Still in pursuit of consolidation, the aim is now to create bigger units by merging small farms into corporations working not less than 20 hectares of land. The idea is that the former smallholders should retain a direct stake as shareholders. A law enacted two years ago also gave expression to the American concept of "poles" of development—in effect, a kind of regional planning—whereby the production is concentrated in promising areas. The basis of the new strategy was the 20-year cropping plan drawn up by Booker McConnell and Hunting Surveys some 18 months ago. So far five "poles" have been inaugurated each comprising a group of farm corporations under a major dam.

Logical

These new farm corporations can be seen as the logical extension of the Land Reform programme. Individual farmers are persuaded to part with their land in return for a proportionate share in a government-run enterprise. Generous credits and subsidies are made available for the first five years of operation, but the bureaucratic structure of the operation means that these funds are often wasted. Corporations presently cover some 400,000 hectares of the best farming land; but in the course of the forthcoming Sixth Plan (1978-83) this area is to be increased to 700,000 hectares.

The Marv Dasht pole, north of Shiraz, is one of the Ministry of Agriculture's showpieces. A total of 18,000 hectares of cultivable land has been divided into nine corporations, under the Darius Khabir Dam. Seven years after they were first set up, half the land remains in private hands. Wheat in winter and alfalfa in summer are the major crops, augmented with some barley, rice, melons and vegetables. Forty-six villages have been grouped together, with their 1,756 shareholders.

Associated with the farmland is the Shiraz Fertiliser Factory turning out 150 tons of urea a day, a dairy complex now under construction and the largest meat producing project in Iran. Eventually the dairy farm will have a capacity for 1,000 Holstein cattle. It will be jointly owned by the corporations, with most of the capital investment coming from the very active, government-run Agricultural Development Bank.

Meanwhile the huge meat complex down the road is struggling with its grand design: acting as the market for the sheep kept by the Qashqai nomads whose migration routes criss-cross this area. The main slaughterhouse, to be ready shortly, will be able to handle 4,000 sheep and 250 cattle a day—some 117 tons of carcass weight. The feed mill for the fattening lots will have a theoretical capacity of 600 tons a day, and aims to buy its grain from the nearby corporations. To be successful it will have to compete better with the private animal husbandries which, this year, are paying IR9,000 ($129) a ton for alfalfa, while the government concern would only offer IR7,500. At present the complex buys only a fraction of the Qashqai sheep, only five of the planned thirty-two purchasing stations along the migration routes are operational, and imported sheep are likely to be mainly used by the slaughterhouse. Current production costs are thought to be twice the market price.

Given the right crop prices and confidence of the all-important, medium-size farmer with his hundred hectares or so, the present import bill of some $1½ to $2bn. could certainly be halved. The trouble is that the government is committed politically to keeping down the price of staple goods. Subsidies of some $1½bn. will be given to the consumer this year on five or six basic products—amounting to some 8 per cent. of the government's current account spending. So if the government continues with its present policy of eliminating the rural middleman and the bazaar dealer as much as possible (over 750,000 tons of surplus wheat were bought up last winter), the net effect of increasing intervention could be an ever higher duplication of "unnecessary" expenditure, to the producer and the consumer.

It is clear that the Government is seriously worried about the heavy drain on its finances that agriculture and food supply is becoming. On top of the $3bn. spent each year on subsidies and imports, over $1bn. worth of farm products are wasted, according to an Imperial Commission set up to look into the problem last summer. According to the Ministry of Agriculture itself, 40 per cent. of the grape production, 30 per cent. of tomatoes and up to 20 per cent. of meat—to name but a few—is being lost somewhere along the chain from farm to retail store.

Inefficient distribution methods and lack of proper storage facilities are the main culprits. Iran is therefore trying to push ahead with a massive programme of silo construction, estimated cost being $475m. for 27 silos in urban areas. But the programme is considerably behind schedule as a result of the acute shortage of cement, tighter financial controls and bureaucratic delays. The problem was dramatically illustrated recently by figures published in Rastakhiz. A tomato grower produced invoices showing that while he only received IR1½ a kilo, the customers of a supermarket in north Tehran were paying IR50 a kilo. Admittedly the example is an extreme one. But then rice in Iran — a substantial producer—costs twice as much in the shops as it does in Britain.

Over the past year, problems of shortages—of eggs, chicken, meat, bread or sugar — have eased somewhat. On the other side of the scale, the Governor-General of Lorestan, one of the poorest western provinces, was complaining a few weeks ago that he had recently set up 140 poultry farms capable of producing 14m. birds a year, but all faced imminent closure because of a lack of markets and poor back-up facilities. Sharp variations exist between the different provinces in terms of access to government credit and support, as well as over shortages of produce.

Looking ahead to the Sixth Plan, the accent is on realism, a pragmatic aproach to the different modes of production and a new awareness of the importance of the private farmer. The official growth target in the five year period is between 5 and 7 per cent. a year, depending on weather conditions (still the crucial factor). This growth rate contrasts with the figure of 8 per cent. for the revised Fifth Plan. Although most observers believe that no more than 2½ or 3 per cent. growth a year was achieved (and some say the Ministry conceals the extent of its failings by overestimating the increase in domestic demand), senior officials insist on the accuracy of their figures.

In an effort to limit the rivalries, conflicting approaches and inefficiencies of having two Ministries dealing with agriculture, the Shah last autumn ordered the merging of the Ministry of Co-operatives and Rural Affairs with that of Agriculture. However, the divisions still exist on the ground and in the Tehran offices the Minister, Mansour Rouhani, still receives contradictory advice, not the least on the question of agro-industries.

By a Correspondent

SPECIAL REPORT

INSIDE THE PHILCO DEAL

"We cannot make miracles nor do we have better management skills than the two previous owners, but we have our own style of basic input." Thirty-eight-year-old Mohammad Koochekzadeh is confident this will pay off. He also has a market.

The young American-educated Iranian has just made the first takeover of a Western industrial concern by a private Iranian company and acquired complete control of one of Italy's major domestic appliance producers. His firm, Ritaco of Teheran, has bought Philco Italiana of Bergamo from Germany's Robert Bosch group — an innovation for both Iran and Italy.

Over the last five years, Philco Italiana has been consistently in the red and cost Bosch $18 million in accumulated losses. Yet Koochekzadeh confidently hopes to see the ailing Italian company break even by mid-year and even end up in the black during the latter half.

Last year, Philco Italiana produced 230,000 washing machines, 150,000 refrigerators, 50,000 colour and 50,000 black-and-white TV sets, plus 50,000 dryers. It had estimated losses of $2.3 million on sales of $68 million. Yet this was the best year Philco ever had. During 1975, the company had a loss of nearly $6 million on total sales of $38 million.

Historic Decision: The whole deal was worked out in less than six weeks. Koochekzadeh had been shopping around in Italy for an appliance company for over a year. He liked what he saw at Philco, but recognized fundamental changes would be necessary if the company was to be turned around.

A major economic factor was that the huge plant was overmanned. The cost of labour was too high for the product. In today's Italy, where labour is cuddled and feather-bedding an accepted fact of business life, no one is ever fired. Yet in direct negotiations with the Italian ministers of labour and industry, and trade unions' leaders, Koochekzadeh persuaded them to accept the inevitable. If Philco was to be saved from liquidation, it had to be done his way.

Over the next 18 months, 430 of the total 2,100 work force will be discharged. Some 150 will be eventually re-employed, but the historic decision to cut back was accepted. The young Iranian is no hard-nosed entrepreneur and has a strong sense of employer responsibility. "It is against our basic philosophy, but must be done in order to return to profitability."

In addition, some $17 million will be pumped into the company over the next three years for both financial and material reconstruction. Of this, $9 million will be provided by an almost unprecedented three-year loan promised by the Italian government, while Koochekzadeh will raise the remaining $8 million in Iran.

He plans to raise the amount in rials, probably using one of the specialized Iranian banks to obtain the amount on soft terms, and later convert this into lire for transfer to Italy. The credit transfer has no precedence, since it will be the first time the Iranian banking community has participated in the acquisition of foreign capital for transfer abroad. It is a new concept and will require a completely new set of rules.

Pilot Project: Long-term forecasts for Iran indicate a continuing manpower shortage. The economy cannot continue its present rate of growth as the supply of labour falls behind. While, until the present official policy has been to keep investment inside Iran, government planners now accept the fact that such policies are self-restrictive. Koochekzadeh's rial-lira loan will be a pilot project (entirely separate from the initial purchase payment, which has already been arranged — in cash terms).

The new Philco Italiana chairman feels there were two prime reasons why Bosch was unable to make the grade with its Italian company. Philco Italiana had been organized in 1959 as a joint-venture company between Philco and private French and Italian interests. In 1962, it was taken over entirely by Philco and became part of Ford Philco in 1963. Nine years later, Ford sold out to Bosch in 1972.

Bosch brought in a full top management team from Germany. Rather than adapt to the local scene, they decided to run things the German way. It didn't work. The Italian technical manager, Alfonso Schirinzi, left after a disagreement with Bosch (Koochekzadeh has just rehired him as his managing director). Labour problems were inevitable. Strikes hit output heavily.

Over the five years, Bosch invested almost $6 million in Philco. In addition, the parent company contributed considerable financing in interest-free loans. This should have begun to pay off by 1974, when the recession came — and hit the appliance industry worst of all. Although last year showed considerable relative improvement, the German group had decided to throw in the towel. Part of this was due to a realization that under current depressed market conditions, the Italian subsidiary was siphoning off sales from the production by the parent German company.

Booming Market: Koochekzadeh has been appointed chairman of the new company, and brought in two other Iranians into Philco's management. One, a financial expert from Australia, is now deputy managing director. Once the show is on the road, the new chairman expects to not spend more than onethird of his time in Italy. He estimates a one-third increase in sales to $90 million for 1977.

His main reason for optimism: the Iranian market for domestic appliances. Domestic production can only meet half of the local demand. Philco Italiana has an excellent image both in Iran and Italy for an above-average, quality product. As a result of an improved standard of living and electrification, Iranian sales of refrigerators, washing machines and stoves are booming.

Iranian output of refrigerators has shot up from 12,000 to some 500,000, but still comes nowhere meeting demand. During the summertime there is even a black market for them. At present, Iran is Philco Italiana's second largest export market after Britain but offers enormous opportunity for expansion.

Koochekzadeh is also sanguine over the Mid-east market for the full range of appliances. At one time, because of its association with Ford, Philco was on the Arab boycott list. While the Ford connection ceased 13 years ago, there is still a psychological fallout which should be greatly improved under Iranian ownership.

Koochekzadeh hopes that with rising sales and improved unit productivity, it will not be necessary to lay off the total 430 employees as anticipated. Talks will shortly be held with union leaders on the possibility of setting up a second shift. If labour accepts this mobility and if output increases, a far lower number of employees will have to be let go.

Philco employees may also benefit from a new Iranian law which could also apply to the Italian-based company. Under its terms, 49% of all private companies above a certain sales and profit level must be offered to the public. Company employees have the first option on these shares and are able to obtain them on a time-payment plan aided by a special government fund. Only one other Italian company, the local subsidiary of Worthington Pump, has such a programme. It's highly successful.

Philco Italiana's new owner is no stranger to the domestic appliance field. Returning to Iran in 1965, after obtaining a degree in mechanical engineering from Kansas State University, he joined with some associates in setting up a local company, Philver, to produce refrigerators. Since Philver had a technical assistance agreement with both Philco Ford and Philco Italiana, Koochekzadeh visited the Italian company many times, and says he knows it "inside out."

Philver started with an annual output of 3,000 refrigerators. Within two years it was in the black. It is now up to 150,000 has sales of $40 million, and covers 35% of the Iranian market. In 1973, Koochekzadeh sold out his interest and took off a year to attend graduate business school — the Iran Center for Management Study (ICMS) in Teheran—operated by Harvard Graduate Business School.

Koochekzadeh looks some 15 years younger than his 38 years and could be typecast for the scenario of something called "The Kid From Teheran." But under that veneer of made-in-U.S. informality ("just call me Mohammad") is a driving personality to whom 14-hour working days come naturally.

He's determined to turn the company around within a year. A tough goal, but Koochekzadeh may be able to do it.

An Extract from the Galling Report of March 1977.

Contradictions in tourism

TOURISM in Iran is a bemusing blend of the grandiose and the unfinished. The Shah Abbas, for example, is Iran's best-known hotel and, set in the heart of the picturesque city of Isfahan, a huge architectural museum in itself. The millions of dollars and hundreds of *thousands of man-hours spent* in refurbishing the former caravanserai on one of the ancient trade routes into a visually stunning hotel has produced a lure for visitors from far beyond Iran's borders.

Sheikh's from the Gulf have permanently reserved rooms of ornate sumptuousness. There is a large swimming pool, three restaurants, two bars and the 160 rooms have private balconies and full air-conditioning. They are also equipped with candles and boxes of matches. Because of the unpredictability of power supplies, these are not a mere embellishment.

The problem is not the Shah Abbas's alone. Daily, whole sections of Tehran and other cities lose their electricity supplies for fixed periods as the country's power-generating capacity proves inadequate to cope with loads for which it was never designed. The deficiency currently is 600 MW; when eventually, constuction problems at the large Reza Shah, the Great dam are ironed out, the situation should improve greatly.

In the meantime, more individual concerns are installing their own generators. Curbs are placed on public lighting and the air coolers now such an integral part of the homes of a population so recently affluent. In the hotels, bar takings soar for two hours as guests housed anywhere above the fourth floor duck out of a long, hot climb up the back stairs.

There is unquestionably much to see, do and *admire* on this ancient plateau bridging East and West and bearing the multi-layered cultural imprint of a civilisation 3,000 years old. But actually doing it can be a difficult and tedious business for reasons other than power-cuts. As in most other sectors of this still—by Western standards—*developing economy, the* facilities for tourism are stretched to the limit in the best established areas of interest such as Isfahan, Shiraz and the beach resorts of the Caspian Sea.

For although the situation has improved somewhat from the carpet-bagger days immediately following the oil-price surge, when foreigners keen to cash in on the boom were willing to—and did—sleep even in hotel lobbies, hotels remain full. Movement around the country is as difficult as ever. Domestic airlines are fully booked and railways are crowded. The alternative, travel by road, is an undertaking not for the faint-hearted given the average Iranian's macho-powered driving habits.

Like so many other economic aspects of life in Iran, tourism has grown recently and rapidly. Fifteen years ago, according to Ministry of Information and Tourism figures, Iran was receiving some 75,000 tourists a year from abroad. By 1973 the official figure was up to 403,000 and by last year 650,000, although no clear differentiations seem to be made between those arriving on business and those bent on pleasure.

To accommodate the influx, the number of hotel rooms is rising, according to the Ministry, from 9,000 in 1973 to a projected 40,000 by the end of the current Five-Year Plan in March next year. Because of a number of factors, however, such as the shortages of labour, materials and latterly money, it is unlikely that the Government's targets will be much more than two-thirds met, leaving a tight accommodation situation likely for some time to come.

Affairs have been exacerbated by the fact that Iran's new-found prosperity has also produced a spectacular rise in the number of Iranians exploring their own country, the Information Ministry estimating that 10m. out of Iran's 34m. visited other parts of the country last year.

The result is that in the main *tourist areas — particularly* around the Caspian resorts of Bandar Pahlevi and Chalus which are four or five hours' drive north of Tehran—the squeeze on accommodation can be enormous. At one recent week-end, a third of Tehran's 4½m. population was reported in the Caspian area.

Principal

Kayhan, the capital's principal English-language daily, described 10,000 car-loads of people seeking to use the Motel Ghol at Chalus, the vast majority having to spend the night in parks or gardens instead.

Despite the problems created by it, the Government expresses itself pleased with Iranians' awakened interest in their own country. It has ambitious plans for the Sixth Five-Year Plan starting next year both to meet domestic demand for facilities and to cater for the 1.2m. tourists from abroad which it is hoping to attract by 1983.

The development of an extensive tourism infrastructure is high on the plan's priorities, being viewed as a potentially significant foreign exchange earner when at last Iran's oil revenues really do start to dwindle. Indeed, hotels are ranked with other industrial projects in receiving priority allocation of materials and labour, while restrictions have been placed on other speculative building by the private sector.

"Tourism really is of great importance to us. Our income from it last year was in the vicinity of $140m., yet we see that other countries are far ahead of us," says Mr. Ali Shapurian, Deputy Minister of Information and Tourism. He concedes, however, that matching promotion of Iran abroad to the facilities available is a difficult task which as recently as last year fell sufficiently out of phase for some European tourist organisations to decline taking bookings for Iran.

The Government has a dual approach to the accommodation problem. First, it builds hotels itself *in regions of the country* where private enterprise is not interested in development—a policy founded a decade or so ago by the Iran National Tourist Organisation, which has now been absorbed into the Ministry. *The Government concentrates,* naturally, on smaller, less-frequented towns in a sensible attempt to ease the pressure of domestic tourism on the principal tourist areas.

Second, where the domestic private sector is interested in building—in the main cities and on the Caspian—policy is to provide long-term, low-interest loans. Typical terms are a duration of 25 years or more at rates between 6 and 8 per cent. with *no repayments or taxation for* the first five years. The Iranian banking system is encouraged to provide a similar service. During the past three years it has handed out nearly R1.5bn. (£12.5m.) in such loans to finance nearly 50 projects.

Even though Iran requires that national interest must hold at least 51 per cent. of any investment project, the larger international hotel chains are fairly active inside the country. Tehran has long had a Hilton, which is soon to get a third wing to bring its number of rooms up to 900. The Sheraton will also have a new extension soon to expand the number of rooms to 800. The Intercontinental has been established for over five years and situated nearer the centre of the city, is probably the facility most in demand by businessmen.

Hyatt is one of the most recent newcomers to the Iranian scene, with the Hyatt Caspian recently opened along with the Omar Khayyam in Meshed Iran's holiest city, which is the site of the shrine of the 9th century Imam Reza. In Tehran itself, the group should soon be opening the 500-room Crown Hotel, and one or two more elsewhere in the country are *understood* to be on the cards. In addition, the French Meridien group and an Irano-Japanese consortium, also have projects under way.

The problem of mobility around the country is being tackled in a number of ways, not least by an ambitious road-building programme which can be expected *to alleviate some of the* domestic tourist pressure on internal air routes. Iran Air, once the sole domestic carrier, is now joined by Pars Air, the wholly domestic line, and several other small private companies in coping with the *rapid* growth of passenger volume experienced over the past three or four years.

Even so, more aircraft and expanded schedules are essential if demand is to be met satisfactorily during the *life of the* next Five-Year Plan—a fact far from lost on the West's aircraft *manufacturers.* They have been beating a steady path to Iran Air's door recently with an eye on the 30-50 aircraft that it may be expected to buy to meet its short- and long-haul needs in the 1980s. (Airbus Industrie held talks with the Iranians most recently in a bid to woo them away from their current all-Boeing fleet.)

Programme

An extenseive airport building *programme* now makes it possible to fly to the capitals of all 22 of Iran's provinces, and Tehran itself is getting a new international airport 25 miles south of the city to eradicate the present unsatisfactory situation whereby civil aviation shares the existing Mehrabad airport with the military. The new $1bn. airport is scheduled to be operational by 1983. Altogether, Iran has nearly 30 airports, many of them in the process of being upgraded to take tourist traffic which the Government hopes to divert increasingly from the existing *well-trodden sightseeing routes.*

This it is doing via a number of holiday complexes outside *the* Tehran-Shiraz-Isfahan triangle, notably at the sites of various new dams. At Darius the Great Dam, on the Kor river about 55 miles from Shiraz, it should soon be possible to water ski, play golf and go to the cinema on an island formed by the dam's rising waters. It is hoped, too, that Iran will become known *for its spas.* Facilities visitors are being Mahallat, 200km we han, and at the be Sarein Spa, near Azerbaijan. Finally to develop a flouri round industry, the ski resorts is being i the mountains no capital, where sever the rugged Alborz ra cater for large n *skiers.*

Almost inevitabl much of Iran's fore *will continue* to rev the larger cities. its royal palaces h tacular and ov mirror mosaics as Peacock Throne—a gem-encrusted item is a copy of the or was long ago broken with its gracefu boulevards has su Islamic architectu Shah Mosque and t and Chechel Sotou

Shiraz has its mo back to the 9th the Bagh-e-Eram, Paradise, first lai a Qashqai tribal 18th Century, whi vides a cypress- an *shaded refuge* fron ing summer sun. sive of all perhaps miles from Shiraz gettable in the cl light of the Iranian the ruins of Pe palace of Cyrus th gaunt columns to over brightly pa buses—a scene ep contradictions of I

John

Plans for communications

EIGHTEEN MONTHS ago port congestion was a notorious bottleneck costing Iran over $1bn. a year in demurrage charges, on which many shortcomings were blamed. To-day there has been a dramatic turnaround. There is no waiting time at the five major ports on the Gulf and the conference lines have dropped their surcharges to Iran. An emergency programme to clear the docks, ordered by the Shah, has played a big part, as have improved handling procedures. But the major factor has been the coming on stream of 10 new jetties since March. On present indications there seems little likelihood that the problems of the past will recur, though clearing goods away from the docks remains a big headache.

As the Ports and Shipping Organisation men are well aware when they proudly explain the progress made, the extra capacity will be virtually useless if internal transport is not developed at the same rate. There is little evidence of a co-ordinated approach. Some dockside facilities are quite inadequate. And while the successive shortages of trucks, then of drivers, have been sorted out, imbalances still exist in the haulage business. Improving the road and rail links between the ports—especially Khorramshahr and Bandar Shahpur—and the main industrial centres is being given top priority; but these programmes are well behind the original schedule.

Telecommunications is the other major growth area at present. The government organisation concerned, the Telecommunications Company of Iran (TCI), can point to more telephones installed in the course *of the present Five Year Plan* than the sum total beforehand. TCI is about to start a ten-year expansion programme costing some $15bn. Assisting will be American Bell International—a consortium of AT and T and *Bell Telephones—for* a fee estimated at over $400m. Microwave links are to be increased from the present 4,000 channels to 9,000 during this period.

As for the railways and trunk roads, the general principle of farming out the contracts on a regional basis to representative companies from different countries *is still being* applied. The French, who have been given overall responsibility for the Tehran to Bandar Shahpur route, are most advanced in their work because of the urgent need to increase the handling capacity of this arterial link. Spending of $136m. has been approved for this year, and $800m. for subsequent years.

S. P. Batignolles, representing a European consortium, has signed a contract to double and electrify the 180 km. line between Shahpur and Ahwaz, the major industrial centre in the south-west and headquarters of the oil operations. Another contract is near for a French consortium *to work* on the most difficult part of all: the 200 kilometre stretch across the Zagros Mountains between Andimeshk and Aznar. The line is intended to handle 42m. tons of freight a year eventually.

Meanwhile a Russian company is making progress on electrifying the 152 km. line from Julfa on the Soviet border down to Tabriz. *Work is expected to be* completed by next year. In contrast the electrification and doubling of the main route from Tabriz down to the capital is still in its first phase of study. The British Rail consultancy Transmark, is expected to complete it by March 1980. Only in the Seventh Plan period *will funds be allocated to actual* construction. By then financial constraints may be even tighter than they are to-day.

In fact the railway construction work earmarked for the coming five-year period is almost exclusively concerned with easing the import and export routes. Eight hundred kilometres are to be electrified altogether. However, the port of Bandar Abbas is intended to handle the inland iron ore deposits at Gol-e-Gohar and the copper at Sar Cheshmeh, and an entirely new railway line is needed for this mountainous route. Under present plans the first section of some 360 km., as far as Sirjan, is to be put out to international tender during the Sixth Plan. Eventually this branch line will link up with the planned cross-country route to Zahedan, the terminus of the Pakistani (and South Asian) railway system. But that will be sometime in the late 1980s.

Railway

For the moment the next red letter day in the railwaymen's calendar *will be October* 15 when the desert line from Yazd and Isfahan will finally reach Kerman, an up-and-coming centre for the mining industry. Feasibility studies on the next stretch of 565km to *Zahedan will then take place.* Preliminary work is also planned for most of the other main routes in Iran. Under the arrangements for sharing out work, the Japanese, for example, are supposed to be studying the *875km Tehran-Mashad route.* They are to upgrade the line to make it capable of taking Japanese built trains with speeds of up to 200 kph.

The roads, meanwhile, have had a mixed year. At long last the main contract has been awarded for a large chunk of the Tehran to Bandar Shahpur highway. For $711m. an American-French consortium agreed in June to build 400 km between Qom and Arak, and between Andimeshk and the port. The mountainous central section will come under a separate contract.

Down in the hot south-east, Marples Ridgeway have yet to complete their $100m. contract to put a paved road alongside the existing gravel one between Kerman and Zahedan. Delays in progress payments from the Ministry of Roads have been among the factors responsible.

The other main aspect of the road building programme involves the heavily used, relatively short sections, especially around the major cities and between them and new industrial centres. In April, the Minister of Roads announced that the super highways between Karaj and Qazvin, and from Isfahan to its surrounding developments would be completed by next March. Work is also to start on widening the two 130 kilometre or so *highways from Tehran to* Qazvin and Qom, (two of the worst stretches for traffic accidents in an accident-prone country).

In as big a country as Iran, and one in which domestic air fares are well within the pocket of an increasing proportion of the population, the rapid *growth* of passenger traffic on Iran Air is not surprising. Last year the airline carried nearly 2½m. passengers, 70 per cent. internally. Within Iran it calls at 19 of the country's 25 classified airports. Two new routes *have* been added recently. Progress has been rapid for an airline which began operations only 15 years ago.

However, Iran Air is beginning to show signs of overstrain on its domestic routes; bookings are hard to get, *long delays* are common, and there is a casual attitude towards passengers—in fact, all the signs of a monopoly. Fortunately there is a new arrival in the shape of Pars Air which already has five domestic routes, *three destinations being* those normally served by Iran Air and two smaller, more remote locations.

For the moment most attention must be on the two huge construction programmes underway or about to *start*, for a new international airport 40 km. south-west of Tehran and for the only fully equipped maintenance workshop between Europe and the Far East. TAMS, the New York con*sultants and a local firm* are designing the airport, due to be operational in six years' time. Estimated to cost over $1bn., the Shah recently placed the air-force in charge of construction, in place of the Civil Aviation Organisation. Meanwhile there has been fierce competition for the workshop contract (BAC, British Airways and Taylor Woodrow were part of one consortium), but the Americans led by Lockheed are expected to *agree terms shortly.*

Upgrading the air traffic control system, so that all flights can be automatically *controlled* by the mid 1980s, is another task. *Preliminary* work is now being done at six of the busiest provincial airports. In fact, telecommunications as a whole are expanding rapidly—a basic *aim being to integrate* the different civil, defence and security networks that have been established in recent years.

A 20,000 km. high-density microwave system is operational but this is already inadequate for the demand. The Telecommunications Company is currently evaluating bids for a contract to double the number of channels.

Subscriber trunk dialling is possible in the major provincial cities within Iran: and in the past year has also been extended to several European capitals (though not yet London for some reason) and to the U.S. A third ERTS station is to be built near Tehran, hopefully operational in three years' time. The design work for its construction may go to Cable & Wireless, who have recently been involved in the civil work on a large number of small town telephone exchanges.

Expansion

To meet its expansion programme the TCI plans to recruit 40,000 more staff, mainly on the technical side. A heavy responsibility for the programme's *success will also fall* to Bell International, whose ten-year contract calls for them to supply 800 men (matching TCI's 1,000), for a joint company responsible for management, training, finance, *engineering and overall* supervision of the programme.

A few months ago the TCI *raised its first major inter*national loan of $250m. at ¾ above Libidor. It was the first part of some $1bn. for which the company will look to the Eurocurrency market in the near future. The total capital *requirement over the next ten* years is set at $15bn., of which $7bn. will be generated from its own profits (the TCI always has been a profitable concern even if the telephone system has been a cause of much justifiable complaint in recent years). The remainder will be raised through domestic and foreign loans.

That other much abused, and now much transformed, organisation responsible *for the ports has similarly looked to private* enterprise and international companies to help it sort out its problems. Most of the expansion has taken place at Bandar Shahpur, where five new berths have been added in recent months. A total of 28 are to be completed by next spring (up from four last year). Five foreign organisations, from Holland, Italy, West Germany, France and Roumania, have each been given responsibility for the development and equipping of separate sections at Bandar Shahpur—and an element of competition has been introduced between them. Each section will operate virtually independently, eve hiring of dock lab

By next March *capacity is likely t* This compares wit handling capacity last year when nea of goods were im next two and a ha been designated a catch up on this nominal capacity loads handled: an of the Sixth Plan, city is expected t tons.

The other major is at Shahr Bandar 20 km. from B Here a Dutch been set to s Italians doing the Twenty-six berths *built, and the wh* to be completed i time.

For the mome porters' hopes mu expansion of Ban where the chann dredged to take dr metres on avera metres in some pa tional ships of up can be accommod as larger container *to-date harbour* being implemente time. Containeris one of the key Iran's port conges suddenly melted a months ago. LAS *facilities have als* duced at Bandar A

A mystery to ot *in Iran was how* Shipping Organisa to achieve such construction work one else has been acute shortage of maly distributed b ment. The answ their own initiat tractors had got to cement on the market (paying do price) and then directly to their s that they were abl with this, and we bursed for the e was a mark of t position the PSO top priority that given to getting *reasonable shape.*

A brisk savings competitor

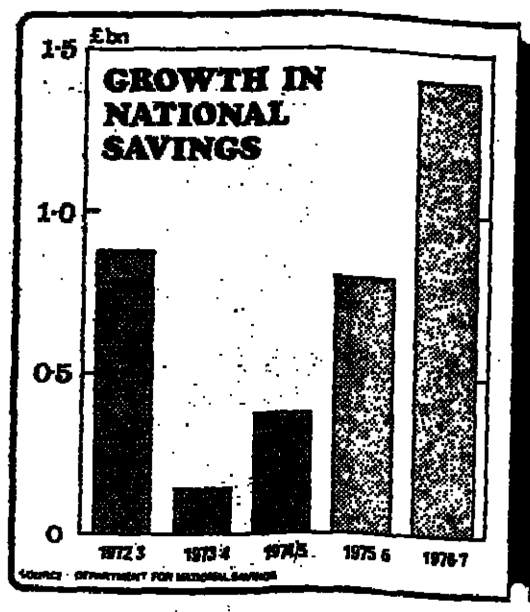
BY ADRIENNE GLEESON

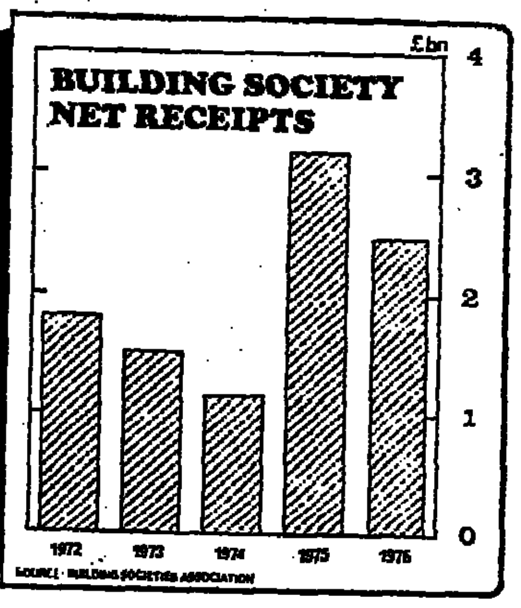
...he chart and the ...al Savings figures ...s morning indicate, ...ery strange is hap... his haven for the ...sophisticated saver, ...ng its competitors ...brisk run for their

... which has been ... National Savings ...urn of this year, ... from the school... grandmothers and ...rs on the Premium ... mainstays of this ...overnment borrow... ...t of the past 20 ...mes, instead, from ...sophisticated inves... ...nged into National ...rtificates in the ...interest rates in ...ded to leave the ...gh and dry with a ...er four years of ...per cent.; and it ... the still more ... investors—build... ... and charities as ...e individuals—who ... depositing their ...ional Savings bank ... accounts for the ... per cent. return at ... notice of with...

...of cash—which had ...ccount net receipts ... just under £160m. ... weeks to June 25, ...ve pushed up the ...ly more—has since ...d by the imposition ... limit on individual ...vestment accounts, ... per cent. return

...stion which arises ...er the Department ... Savings and the ...der whose aegis it ...e adopted a new ...ggressive role for ...ings as a vehicle





of investment? Or is it simply that those in control are not only slow to react when interest rates are rising—because they know that the bulk of their depositors are too unsophisticated to take their money elsewhere—but are also slow to react when interest rates slide back?

The answer probably lies somewhere between the two. There is no doubt that the Department has, in the wake of the caustic Page Committee Report four years ago, become much more market oriented. The introduction of several novel savings instruments—notably the index-linked retirement certificates, and the index-linked SAYE (Save-as-you-earn) contract is a reflection of its efforts to offer a reasonably complete range of alternatives to its customers. But there is also no doubt that the Department is slow to react to new circumstances and is, indeed, inclined to see positive virtues in an avoidance of rapid change. Positive virtues, that is, for the unsophisticated customers who make extensive use, on a small scale, of its facilities. As at the time of the establishment of the National Savings Bank in the 1880s, the Department still measures its success in terms of its ability to cater for the man of modest means.

A decision to cater for such a market does, of course, imply that National Savings are less vulnerable to changes in market conditions than most of the other savings media—though not, perhaps, by as much as might at first appear. The voluntary National Savings Movement now provides only some 6 to 7 per cent. of gross receipts. Apart from this, entrée to National Savings is provided only by the Post Office, the Trustee Savings Banks or the joint stock banks.

All the funds deposited with the National Savings Bank—some £2.4bn. out of total National Savings of £13.5bn. at the end of June—come in through the Post Office. But a surprising amount of the money raised by the other instruments, which are known as the Treasury Services, comes in through the joint stock banks. Some 30 per cent. of Savings Certificates—£3.7bn. outstanding at the end of June—are sold nowadays through the banks; and as much as 65 per cent. of the interest-bearing British Savings Bonds (£765m. outstanding at the end of June). So in the case of both these instruments a high proportion of the purchasers are quite sophisticated enough to use the services of a clearing bank; and indeed—though the 16th issue of Savings Certificates may have been something of a special case—it was notable that the building societies complained vociferously of the effect on their receipts of the flood of funds attracted in the last few days that this issue was on offer.

In one of its biggest sellers—Premium Bonds—the Department for National Savings has, of course, an instrument which is quite immune to any changes in the conditions affecting competing investments. The balance outstanding on Premium Bonds has been rising steadily throughout the past 20 years, with occasional spurts of receipts whenever the interest on the prize fund has been raised and the potential rewards increased in consequence. At 5.625 per cent. net that rate of interest still looks derisory; and the chances of a high taxpayer winning enough to make the investment worth while are miniscule. But it can be argued that a certain amount of caution in setting the rate is justified, for a cut in the prize fund—never yet attempted—would have disastrous effects on the receipts from what is essentially a very cheap way of raising money.

Dichotomy

That poses, of course, the whole question of the dichotomy in the operation of National Savings: the extent to which they are there to provide a service to the small saver; and the extent to which they are still seen as a way of providing cheap money for the Treasury. The Treasury is principally responsible for establishing the terms to be offered, though it acts in conjunction with the Department for National Savings and takes advice from that quarter.

And while the Department runs a marketing department which looks to potential gaps in the product range it offers, it is the Treasury which has the final say over any further development of its services. At present it looks unlikely that these will take National Savings in any new radical directions. It has, for a start, no network of its own to exploit as the Trustee Savings Banks have done in expanding into fully-fledged banks with facilities (currently in abeyance as they sort out their labour problems) for lending as well as borrowing. National Savings relies on its agency arrangements with the Post Office and the banks; and the problems of administration, communication and training which inhibit its rapid reaction to changes in interest rates are likely to inhibit still more any attempts, say, to mount a service offering credit to compare with that of the banks or the building societies.

As it is, some forms of National Savings in their existing limited form provide quite enough of a threat to competing savings media. The National Savings Bank investment account offers, it is true, slightly less to the standard rate taxpayer than the grossed up return available on an investment of comparable maturity with a building society: but the building societies are under pressure to reduce their rates: and there is no telling how long it will take the National Savings Bank to follow suit.

When it does—and as a funded bank, such a move is eventually inevitable if interest rates do decline much further—it will be unprecedented, for in the 11 years since they were introduced the rate on investment accounts has never moved other than upwards. By implication such a move is not to be expected until interest rates have quite decisively turned; and on present showing that is unlikely to be before next year.

For the banks, National Savings poses rather less of a threat, because anyone with money in a deposit account at to-day's rates may be assumed to be paralysed by inertia: and while the National Savings ordinary account poses an attractive alternative to the clearing banks' current accounts—it offers interest at 5 per cent. with tax exemptions—the virtues of accessibility through post offices are well and truly offset by the advantages of a cheque book, and cheque cards.

Neither banks nor building societies can, however, afford to ignore the potential implicit in a financial institution which—allowing for the children who receive their first introduction to money management through their school bank—is estimated to serve one half of the population. The argument is the stronger because National Savings appears to serve that half to its satisfaction. Of an estimated 100m. transactions in National Savings every year, only some two to three hundred generate sufficient dissatisfaction to produce a letter of protest to an MP. And of those, half on average will be protesting at interest rates—a protest from which the market and the organisation's inertia have taken most of the steam this year. If National Savings and its masters ever set their minds to raising larger sums of money, and abandoned convincingly the idea of raising money on the cheap, every other haven for personal savings would have problems on its hands.

A World War II poster for National Savings.

Letters to the Editor

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...airman, ...Association. ...ecision of the Court ...the case of Harold ...Co. and others v. ... deplorable. Both ... and Lord Justice ...ced great emphasis ...rt's reluctance to ...discretionary power ...erfere, as Lord Jus...put it, "in the ...hanism of indus...s and industrial ... With the greatest ... issues in the ...spute are totally ... a strict view of ... any rights which ...company may have ...e Post Office. ...ose that the inter... delivery of docu...ies or ordinary let...not as a result of ...of postal workers ...their legal obliga...consequent closing ...ricklewood sorting ...ause members of ...olicitor had joined ... (and one union ...branch expressly ...e, and is soliciting ... they declined to ...r, to the person ...n valuable securi... or letters. Let ...ose that the mem...licitor's staff also ...that their action ...e of any dispute ... their employer, ... some sympathy ... with other per...onists or not) in ...nd that their ob...arm the employer ...ade unionists or ...ed. ...age further and ... the solicitor's ...estion also said, ...implication, that ...r or anybody on ...d those valuable ...ments or letters ... to the persons ...t to them, they, ...mployees, would ... by calling out ... a great number ...ployees through...d Wales. I ven...with consider... that the solicitor ... initially caused ...ng sued by the ...entitled to those ...aw Society, if it ... these proceed...very short shrift ...rd Denning who ...dly, and in my ...ay that it was ...re that the fab...was maintained; ...r of the legal ...llowed to shelter ...r default of his ... that however ...manage the per...that that solicitor, ...itors throughout ... law must be

...eheartedly sup... which is, inci... strong pointer ...ssity of making ...employees of a ...ong to a trade ...s, however, a ... essential point ...s sauce for the ...for the gander. ...ffice, which has ...d moral obliga... customers, but ...poly situation, ...owed to pray in ... worsening or ...dustrial dispute ...rformance of its ...w continues to ...is way, then it ... any credibility ...ail be in a state

I wish to make it abundantly clear that this association has no party political affiliations, nor is it in any way connected with, nor does it lend support to any of the various factions involved in the Grunwick dispute. Our very real concern, however, is to ensure that proper respect for the law is maintained and that it is not only said to be, but seen to be above politics and the private interests of any person or persons.

S. P. Best,
British Legal Association,
64, Highgate High Street,
Highgate, N.6.

Replacement costs

From the President, European Federation of Financial Analysts Societies

Sir,—In his article against current cost accounting, Mr. Jefferey English (July 19) states correctly that accountants are reporting to the users of published accounts, the shareholders and the employees. Financial and investment analysts most usually advise shareholders, but the principles of financial analysis are common to all users; and the users of accounts are interested in the future.

The best basis for any forecast must be a current valuation of a company's assets at the cost of replacing those assets. The requirements are the same as for the company's management. The historic cost of each asset adjusted by the retail price index is of no value in making a forecast. Nor is the historic total for the shareholders' funds adjusted by the retail price index of any useful significance: the price of a share is based upon the best forecast of the future stream of income.

The British member of this federation, the Society of Investment Analysts, has argued from the very beginning of this controversy for a form of replacement cost accounting, and was extremely glad to see its views set out in the Sandilands Report. The proposals of the Sandilands Report are those which the users of accounts would like to see established. The figures produced by current purchasing power accounting are of no interest.

D. C. Damant.
28, Panton Street,
Cambridge.

Retained profits

From the Managing Director, Charterhouse Management Courses

Sir,—I would like to point out to the accountancy profession that when it has got over its internal dispute regarding inflation accounting, Britain is still faced with its continuing problem—under investment.

Central to this problem is that the way in which profits are calculated presents a wholly misleading view as to the amount available for taxation and dividend distribution, but most importantly, it overstates the value of retained profits. This is the largest source of investment capital and our present accounting rules, ignoring both technology and monetary inflation, lead to a general failure to appreciate its inadequacy.

As however, it is clearly going to be impossible for accountants to come to any agreement as regards inflation accounting, may I suggest a quick, simple and in part satisfactory solution to this investment problem. Let the Government fix an annual percentage of the total assets employed in industry and commerce which will represent the amount of additional capital growth required to keep pace with technology and inflation. Each business, having calculated this amount, based on its own assets, would deduct it from its profits or add it to its losses before taxation and dividends are compiled.

This adjustment on profit or loss should be classed on the balance sheet as a reserve unavailable for distribution.

To illustrate, let us take a company with—

Net assets employed	£15m.
Say rate of capital inflation adjustment set by Government is	10%
Profit before taxation and dividends say	£2m.
Less inflation reserve 10% of £15m.	£1.5m.
Profit available for taxation and dividend	£1.5m.

Extract from the balance sheet of the company

Share Capital	£X
Reserves	
Inflation reserve unavailable for distribution	£1.5m.

I believe that this inflation adjustment highlights the problem of investment keeping pace with the changing world, and its simplicity would make it readily applicable to all types and sizes of business.

Ernest Jones.
Charterhouse Management Courses,
40, Charterhouse Square, E.C.1.

An unfair outcome

From Professor J. R. Grinyer.

Sir,—Walter Reid's article (July 13) was written with characteristic clarity and enviable persuasiveness. He displayed, however, a degree of certainty, as to the logically correct method of accounting in an inflationary environment, which I cannot share.

Perhaps he can propose solutions to the many problems which are associated with the simple, and superficially plausible, message he conveyed. I find the prospective realities of his version of current cost accounting somewhat disquieting. His case appears to rest squarely on the assumption that physical assets must be replaced with equivalent materials or artefacts. Such an assumption may be justified in the case of the raw material stocks of some capital intensive manufacturing companies, but it is a questionable reflection of reality so far as the fixed assets of such companies are concerned (unless those assets will always be replaced in a piecemeal fashion), and is probably inappropriate to most retailing and wholesaling concerns—which will typically change their holdings of stock by reference to the dictates of a dynamic market. Businesses are more likely to be motivated by a desire to generate cash, or perhaps purchasing power, than to maintain intact a collection of specific assets.

Professor Reid's retailer may well have been prepared to invest £10,000 knowing that he could only recover £11,500, despite the increased cost of replacement. He would have made a £500 loss under CCA but would have £1,500 extra in his bank account. Naturally, if £11,500 was the best price available, he would not replace the stock. His activities would, in this event, surely have been more usefully shown as a historical cost profit of £1,500!

Even if the replacement assumption was invariably appropriate, injustices could arise under the Reid version of CCA! If such a system is the most appropriate one to adopt, it should surely be used as the basis for taxation and for price controls. Such practices would favour firms which were experiencing specific price increases compared with those which were not experiencing such increases. This can be illustrated by comparing Reid retailer, who experiences an increase of 20 per cent. per annum in replacement cost, with Grinyer retailer, who sells goods with a stationary price level. Assume that administration costs are identical for both, so that they can be ignored. Further, assume income tax of 50 per cent., based on CCA profits, maintenance of the original level of physical stocks for two years, price controls which limit sale prices to 125 per cent. of replacement cost (which prices are always obtainable) and an initial investment of £10,000 each (which permits one year of activity).

The table shows the outcomes for the two businesses if all after-tax profits are withdrawn by the proprietors. The owners of Reid retailer are able to take £800, or 32 per cent. more than those of Grinyer retailer—merely because they have had the good fortune to be affected by specific inflation. If the businesses were terminated at the end of second year Reid retailer's owners would take three times as much gain as their less fortunate counterparts in Grinyer retailer! Yet both sets of owners are equally affected by general inflation. This outcome would surely be unfair.

CASH FLOWS
(Ignoring lags in payment)

	Grinyer retailer (stable prices)	Reid retailer (inflating input prices)
	£	£
Year 1—Outflows		
Initial cost of stock	10,000	10,000
Replacement cost of stock ...	10,000	12,000
Tax payable	1,250	1,500
Withdrawn	1,250*	1,500*
	22,500	25,000
Inflows		
Equity investment	10,000	10,000
Sale proceeds	12,500	15,000
	22,500	25,000
Year 2—Outflows		
Replacement cost of stock ...	10,000	14,400
Tax payable	1,250	1,800
Withdrawn	1,250*	1,800*
	12,500	18,000
Inflows		
Sale proceeds	12,500	18,000
Total withdrawn	2,500*	3,300*
Total withdrawn on termination of business at end of year 2	10,000+2,500= 12,500	14,400+3,300= 17,700

John R. Grinyer.
University of Dundee,
Department of Accountancy,
Old Library Building,
Perth Road,
Dundee.

Flexibility in accounting

From Mr. P. Calver.

Sir,—Are not the supporters of inflation accounting a little too ambitious? No rigid accounting scheme can be all things to all companies; nevertheless the Inland Revenue is unlikely to accept a flexible definition of taxable profits.

Let us first look at the problem of providing a scheme of inflation accounting that can give a true and fair view of the results of any company. In different companies there are varying areas of major discrepancy between historical cost accounts, and replacement cost accounts. These include depreciation, amortisation of short leases, rents, HP or leasing contracts, interest and, of course, stock, debtors, and creditors. Some of these areas are satisfactorily dealt with by exposure draft 18, but others are largely ignored.

It is instructive to draw an analogy between ED.18 and Table A of the Companies Act. Each is a valuable basic framework, though neither is perfect. Most companies base their Articles of Association on Table A and detail only the differences. Surely inflation accounting can be dealt with in a similar fashion, though of course ED.18 (or its successor) would need to be expanded to provide alternatives within each paragraph.

The accounting policy of a group could be represented in the form of a table showing the alternatives selected for each division or operating unit, followed by short notes detailing significant deviations from the recommended framework, and giving reasons. Auditors would still be required to confirm that the published accounts gave a "true and fair view", and this would cover the choice of accounting basis.

And now to tax. Does it matter whether taxable profit is calculated on the same basis as accounting profit? To an extent it does, but of course with first year allowances, stock relief, and disallowable expenditure there is already a chasm between the two. If we attempt to link the two directly then one thing is certain; the objectivity of accounting profit will decrease. At the moment very little mainstream corporation tax is being paid. It seems, therefore, a good opportunity to change the basis on which taxable profit is calculated.

Why not tax cash flow instead of profit, for after all, the net effect of first year allowances and stock relief is not so very different? Define cash flow as the difference between net cash at the beginning and at the end of an accounting period and the taxable profit can be calculated objectively. There would still be an incentive for companies to invest in productive assets which presumably is the intention of the present system. It seems to me that by segregating the two functions of company accounts in this way one achieves a simplification not a complication.

By making inflation accounting more flexible companies can be allowed to concentrate on those areas where they are most affected by inflation. Subject to the vigilance of auditors, this must be an improvement.

P. R. Calver.
Parkfield House,
Headstone Lane,
Harrow, Middx.

To-day's Events

GENERAL

House of Commons completes remaining stages of Finance Bill.

Labour Party-TUC Liaison Committee meets.

EEC Foreign Ministers begin two-day meeting, Brussels.

TUC Finance and General Purposes Committee meets.

Representatives of financial institutions discuss educational function of National Savings movement with Mr. Denzil Davies, Minister of State, Treasury.

Windscale public inquiry resumes, Whitehaven, 2 p.m.

Commonwealth Law Conference opens, Edinburgh.

UN Sugar Conference continues, London.

Presentation of Letters Patent to Company of Chartered Accountants in England and Wales, Mansion House, E.C.4, 12.30 p.m.

Professional Association of Teachers' conference begins, York.

PARLIAMENTARY BUSINESS

House of Commons: Finance Bill, completion of remaining stages.

House of Lords: Remaining stages of British Railways Order Confirmation Bill, National Health Service Bill, Coal Industry Bill, and Local Authorities (Restoration of Works Powers) Bill. Debates on developments in EEC and the U.K. presidency; and on policies to protect the old, sick and disabled against cold this winter.

OFFICIAL STATISTICS

Bricks and cement production (June).

COMPANY RESULT

Barclays Bank International (half-year).

COMPANY MEETINGS

See Week's Financial Diary on page 25.

LUNCHTIME MUSIC

Gillian Spragg gives piano recital, St. Lawrence Jewry next Guildhall, E.C.2, 1 p.m.

SPORT

Cricket: Leicestershire v. Australians, Leicester; Wales v. Ireland, Swansea. Tennis: British junior championships, Eastbourne.

COMPANY NEWS

LCP well placed for further progress

MR. DAVID RHEAD, chairman of LCP Holdings, tells members that the group enters the current year with the ability to penetrate new markets from a much stronger trading base and he expects profits to show further progress.

He reports that the group has recovered from the disruptions suffered in the last quarter of 1976-77 and the first three months trading in the current year has returned to the levels of a year ago.

Referring to property investment, the chairman says that in the last five years turnover from rental income and estate services has risen from £0.9m. to £2m. and he expects rental income from investment properties to double in the next five years.

The manufacturing and distributive operations continue to expand and the policy of product development and diversification will continue in the years ahead. There is still a long way to progress in the plans to improve the performance of the distributive activities and the group is continuing with substantial investment programmes in homecentres and vehicle distribution this year.

The major extensions to brick manufacturing capacity are proceeding satisfactorily and the chairman expects the new tunnel kiln to be commissioned by the end of 1977 and become operational by the spring of 1978.

In 1976-77 group capital expenditure amounted to £2.4m. and the directors anticipate a similar level of investment in the current year. At the year end expenditure contracted for totalled £1.8m. (£0.57m.) and a further £0.43m. was authorised (£0.9m.).

The chairman says the group's available facilities on medium-term and short-term finance are more than adequate to accommodate the projected capital expenditure and increase in working capital for 1977-78.

Following its first direct investment overseas last March with the purchase of a French distributor of garden equipment and hand tools the group intends to make further investments in this market sector. This is with a view towards the extension of the group's interests in Europe and in order to build up a marketing and distributive network through which to promote more vigorously the group's own manufactured products.

In the longer term it is the group's intention to increase the proportion of group earnings derived from overseas.

As reported on June 29 group pre-tax profit increased from £2.26m. to £3.62m. in the year ended March 31, 1977. The group's performance was seriously impaired by strikes at major customers, primarily in the motor industry, during the last quarter of the year.

At March 31 investment properties stood at £18.58m. (£12.86m.). Net current assets showed a drop from £5.13m. to £2.49m. reflecting the inclusion this time of £6.56m. due to bankers.

Meeting, Birmingham, August 17 at noon.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Barclays Bank, Drayton Far Eastern Trust, Manchester Garages, U.C. Investments.

Finals—Brady Industries, Craig Shipping, Kwikform, Neepsend.

FUTURE DATES

Interims—	
Allied Insulators	Aug. 25
Cardinal Investment Trust	July 28
Foreign and Colonial Invest. Trust	July 27
General Stockholders Invest. Trust	July 27
Hongkong and Shanghai Banking	July 26
Plastic Constructions	July 28
Wardle (Bernard)	Aug. 10
Finals—	
Forminster	July 29
Gordon and Gotch	July 28
Hillards	Aug. 3
Mining Supplies	July 29
Smith (David S.)	Aug. 18

The next full bonus declaration will be in respect of the three years to the end of 1978. The company does not declare any terminal bonuses.

CU lifts pension bonus

Commercial Union Assurance has increased its interim reversionary bonus rate in respect of certain pensions business to £5.50 per cent. per annum of the basic pension plus attaching bonuses from the previous level of £5 per cent. This increase will apply to the self employed pensions contract, The Pensionmaker and the individual pensions contracts—Yellowplan and The Retirementmaker.

Renold sees better long-term

THERE are many favourable signs which augur well for the longer-term trading prospects of Renold. But in the short term it would be unrealistic to expect a spectacular improvement in the results, Mr. L. J. Tolley, the chairman, says in his annual review.

If sterling remains reasonably stable during 1977 it is unlikely that any short-term advance in results will compensate fully for the high exchange gains content of the 1976-77 profit, he comments.

Actions taken to improve performance of the U.K. companies will enable advantage to be taken of the strengthening of demand seen in recent months for some products and which is now spreading slowly to some other markets.

In certain countries longer delay in activity growth is likely and this will affect overseas results. However economies introduced during 1976 are likely to prove beneficial in part of 1977 and better returns in the second half can be anticipated, he adds.

As already known, taxable profit for the year to April 3, 1977, was up from £11.33m. to £14.13m. on sales of £116.16m. (£101.29m.). Adjusted for inflation profit would have been reduced to £8.5m. The net dividend is lifted to 8.4527p (7.6643p) per £1 share.

At year end U.K. bank overdrafts and advances were £4.67m. (£4.28m.) and overseas £6.43m. (£5.35m.).

During the year net borrowings increased by £2.95m., almost all of which arose from depreciation in the sterling exchange rate.

An analysis of sales and trading profit shows, in £000s, U.K. external sales of £37,746, exports of £10,747, and profit of £8,615. Overseas, for the year ended December 31, 1976, the figures show for Europe sales £36,397, profit £2,394; North America £18,399, £1,793; and other countries £11,933, £2,300.

Meeting, Wythenshawe, August 4 at 2.30 p.m.

Victoria Carpet prospects

THE Australian company of Victoria Carpet Holdings traded overall at a loss of £3,354 in 1976/77, against a profit of £180,191, and the directors do not envisage much improvement in the first half of the current year, Mr. G. S. F. Anton says in his annual statement.

At Kidderminster export sales continue to increase, but the low level of U.K. demand and resulting price competition seriously imperil prospects for the immediate future. It is difficult to see this changing in the short term, he says.

With the continued overcapacity in the carpet industry, further capital investment has to be carefully monitored to ensure that it is capable of providing an adequate return. During the year the carpet backing plant was completed and this should prove to be of great benefit when fully commissioned.

The company plans to convert all "A" Ordinary shares to form one class with existing 25p Ordinary shares. An extraordinary meeting will be held at Kidderminster on August 16, 1977, at 3 p.m.

As reported on June 16, taxable profit for the year to April 2, 1977, was down from £558,293 to £247,977, on sales of £10.38m. (£9.76m.) comprising U.K. sales £5.66m. (£5.29m.) and Australia £4.72m. (£4.46m.). Trading profit in the U.K. was lower at £251,331 (£399,024). The net dividend is held at 1.4076p.

At year end bank overdraft was up at £1.51m. (£962,466) and net liquid funds showed a drop of £608,548 (up £103,751).

Mr. Anton says the reduction in liquidity emphasises the need for tight cash controls and strict housekeeping to limit inflationary demands for working capital.

The company has altered its method of tax treatment with a decision not to increase further the reserve for deferred tax.

The price of wool almost doubled during the year with a shattering effect on product costs and cost of stockholding. Since the year end wool prices seem to have stabilised and the company's stockholdings have been reduced from the total at April 2, 1977 of £2.96m. (£2.4m.).

The year opened well for the Australian manufacturing subsidiary but by January 1977, the market had received so much imported carpet that prices were depressed to a level that inhibited profitable operation of the tufted plant at Dandenong. The directors are now hopeful that the increased tariff protection just announced by the Australian authorities will enable the market there to return to an orderly position.

Meeting, Kidderminster, on August 16, at 3 p.m.

Ashley Ashwood

Mr. Robin Leigh-Pemberton, the chairman of National Westminster Bank, whose results are to be announced to-morrow.

GEFCO well ahead so far

The South African asbestos producer, Griqualand Exploration and Finance of the General Mining group, has continued the improvement in results which became apparent last year.

Net profits in the quarter to June were R3.29m. (£2.19m.), after R2m. in the first three months of the year. They are thus running at nearly double the level of 1976, when first half net profits were R2.78m.

Production has been boosted significantly. Fibre output in the first half of this year was 35,321 tons against 24,753 tons in the 1976 first half. But production costs were R232 a ton compared with R222.6 and selling costs were R89.2 a ton against R64.4.

FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Independent Newspapers (section: Newspapers, Publishers)

Rand London Corporation (section: Mines—Finance).

TYZACK TURNER

W. Tyzack Sons and Turner, manufacturers of tools, components and agricultural wearing parts, has created a subsidiary company which will commence trading on August 1 under the name of Tyzack Turner Tools.

This move is a measure of the Board's confidence in the future and it is expected that a number of new D.I.Y. products will be announced over the next 12 months.

London tea sales

At the tea sale held in London last week 32,143 packages sold realised an average price of 176.43p per kilo compared with 184.31p at the previous sales and against 92.29p a year ago. Plain tea was quoted at 118p.

	No. of kilos	Average per kilo
African Highland Prod.	59,562	176p
Assam Company	18,344	181p
Assam Estates	12,428	175½p
Assam Frontier	42,052	189p
Attaree Khat.	1,970	175p
Blantyre	27,873	132p
British Africa	18,024	178½p
Chulsa	1,362	135½p
Deundi	3,681	182p
Greenwood	13,575	172½p
Janatha	227,582	185p
	No. of kilos	**Average per kilo**
Kenya Tea Company	268,913	190p
Kenya Tea Development	142,632	197p
Luleri	34,320	165p
Moran	19,856	170p
Pabbofan	2,176	170p
Ruo Estates	20,318	139p
Sri Lanka	189,447	195p
Thanai	21,431	174p
Tinderet	8,325	189½p
Tukuyu	25,970	183p
Upper Assam	38,578	178p

Stocks at July 15 amounted to 80,450 metric tons, compared with 39,630 metric tons a year ago. Converted at 48,308 kilos per package.

SIMCO MONEY FUNDS
(Saturn Investment Management Co. Ltd.)

Rates for deposits of £1,000 and upwards for w/e 24.7.77

7-day Fund	%p.a.
Mon.	6.775
Tues.	6.788
Wed.	6.790
Thur.	6.781
Fri./Sun.	6.752
3-Month Fund	
Wed.	7.250

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross half-yearly. Rates for deposits received no later than 5.8.77.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	11¼	11½	11¾	12	12¼	12½	12¾	13

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England a/c FFI." FFI is the holding company for ICFC and FCI.

HOME NEWS

Maudling to counter Commons attack on Poulson links

BY RUPERT CORNWELL

MR. REGINALD MAUDLING yesterday promised an "accurate and complete" statement of his case in what promises to be a gripping Commons debate tomorrow on his conduct in the Poulson affair.

The former Conservative Home Secretary is in no mood to bow to pressure that he should resign after being censured by a Select Committee for failing to maintain the standards of the House in his Parliamentary handling of links with the jailed architect.

He plans to use the statement he will make before the debate gets under way for a vigorous counter-attack, based on his claim that his side of the case has been unheard.

Mr. Maudling has already criticised the findings of the Select Committee, on the grounds that he was not questioned about one of its two complaints—that he was "less than frank" when he resigned as Home Secretary in 1972.

"I have no intention at all of resigning," he said in a BBC interview yesterday. He rejected suggestions that he had been greedy or unwise in his non-political life.

Despite Friday's emotional resignation by Mr. John Cordle, the MP most severely dealt with by the Select Committee, it is clear that to-morrow will be an occasion scarcely less dramatic and painful.

The debate will be preceded by speeches from Mr. Maudling and the other man implicated in the report, Mr. Albert Roberts, the 69-year-old Labour MP for Normanton, before they leave the chamber.

The debate proper will be opened by Mr. Michael Foot, the Leader of the House motions have been asking the Commor with the report's find Cordle, Mr. Maudli Roberts. Many MP censure alone would punishment for th named.

It will be up to to decide whether amendment put d Labour MPs, Mr. Ar (Paddington) and M (Birmingham, Hand until the next sessi ment.

Mr. Willie Hami MP for Central Fif a motion calling for sion. This is regar sive by the majority leagues at Westm MP Mr. Eldon Grif ing the exonerat Maudling.

Mr. Lee said la amendment was a to meet wishes fo going beyond the re voiced the growing tougher legislation conduct of MPs, outright ban on in debates on subje have a direct financ

Mr. Maudling's strengthened by h at Westminster ar pressions of supp local constituency a

Meanwhile in Bo campaign was growi Mr. Cordle as MP local Conservatives the idea of a vote in him at Frida meeting of the organisation.

MP urges inquiry into 'IRA housing racket'

A PUBLIC investigation into allegations that the IRA might have laid its hands on "vast sums" of public money channelled from the Northern Ireland Housing Executive was demanded yesterday by an MP.

Mrs. Jill Knight (Conservative, Edgbaston) said she would be submitting an emergency Commons question to Mr. Roy Mason, Northern Ireland Secretary.

"When I originally made allegations against the workings of the Northern Ireland Housing Executive, and said the IRA was benefiting from fraud on a major scale, the then Secr Mr. Merlyn Rees, allegations and re making them.

"The Director of ctions has now i intensive police that all I said a true."

The allegation building concerns i damaged houses i on their pay roll never worked for t through the Execu channelling the IRA.

...ding dividends ...etable

...convenience of readers the dates when some of the ...nt company dividend statements may be expected in ... weeks are given in the following table. The dates ...ose of last year's announcements, except where the Board meetings (indicated thus*) have been officially ... It should be emphasised that the dividends to be ... not necessarily be at the amounts or rates per cent. ...column headed "Announcement last year." Preliminary ... usually accompany final dividend announcements.

	Date	Announcement last year
	Aug. 10	Int. 0.55
	Aug. 18	Final 1.0298
	July 29	Int. 5
	Aug. 25	Final 0.445
	July 26	Sec. int. 3.7
	July 29	Int. 4.75
	Aug. 4	Int. 1.3125
	Aug. 25	Int. 2.9709
	Aug. 18	Int. 3
	Aug. 6	Div. 0.1
	Aug. 11	Int. 0.53625
	Aug. 2	Int. 0.7
	Aug. 17	Int. 1.9
	Aug. 3	Int. 2.525
	July 7	Final 1.846
	Aug. 11	Int. 0.3
	Aug. 18	Final 1.0502
	July 26	Final 4.083
	Aug. 6	Final 1.2
	Aug. 20	Int. 0.7
	July 27	Final 2.2540
	July 26	Final 2.5
	July 27	Int. 0.85
	Aug. 10	Int. 3.15†
	July 28	Int. 6.5 forecast
	Aug. 10	Int. 2.45
	July 28	Int. 0.5
	Aug. 4	Int. 5.54
	July 26	Int. $HK0.16
	Aug. 20	Int. 1.5125
	July 29	Int. 6.825
	July 28	Int. 0.456
James (John)	Aug. 5	Final 1.3
Johnsons Gp. Cleaners	Aug. 10	Int. 1.1354
Lonrho	Aug. 19	Sec. int. 1.3975
Mather and Platt	Aug. 24	Int. 1
*NatWest Bank	July 26	Int. 4.0955
*Necpsend	July 25	Final 2.0837
Notts. Mfg.	Aug. 17	Int. 0.8291
Peachey Prop.	July 13	Int. 0.73125
Pearl Assurance	Aug. 25	Int. 3.85
*Prestige	July 28	Int. 1.75
Pye Holdings	Aug. 20	Int. nil
Reckitt and Colman	Aug. 18	Int. 4.16845
*Royal Insurance	Aug. 16	Int. 6.53
Sedgwick Forbes	Aug. 17	Int. 3.8
Slough Estates	Aug. 25	Int. 0.75
*Smith Bros.	July 27	Final 5.5 forecast
Smith and Nephew	Aug. 10	Int. 0.790
Stock Conversion	July 1	Final 0.975
*Stone Platt Inds.	Sept. 15	Int. 1.9063
Swan Hunter	July 29	Final 3.9122
*Taylor Woodrow	July 26	Int. 1.8
Town and City Props.	Aug. 23	Final 0.01
*Transport Dev.	Aug. 16	Int. 1.0
Tube Inv.	Aug. 18	Int. 9.8
Weir Group	Aug. 24	Int. 1.54
Westinghouse Brake	Aug. 3	Int. 0.74824
Woolworth (F. W.)	Aug. 18	Int. 1.225

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

...c Works Loan Board rates

...ta loans B are 1 per cent. higher in each case than non-... † Equal instalments of principal. ‡ Equal repayments.

Effective from July 16

	Quota loans repaid by EIP†	by ER‡	at maturity	Non-quota loans A* repaid by EIP†	by ER‡	at maturity
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

...NT ISSUES

EQUITIES

[illegible]
[illegible]

FIXED INTEREST STOCKS

[illegible]
[illegible]

"RIGHTS" OFFERS

Latest renunc. dates	1977 High	1977 Low	Stock	Closing Price p	+ or −
10/8	116	108	Allied Retailers	110	+2
19/8	117	104½	Alpine Soft Drinks	116	......
5/8	80	76	Aurora Hldgs.	77	......
11/8	29¼	27	B.S.G. Intnl.	28¼	......
26/8	128	115	Baird (Wm.)	125	......
5/8	260	214	Bell (A.)	246	−2
29/7	71	57	Bemrose	72	......
—	70pm	64pm	Bremner (H.)	65pm	+2
26/8	45	41	Camford Engineering	42	......
5/8	52	45	Cartwright (R.)	45	−1
12/8	42	38½	Chamberlain Group	40½	−½
19/8	59	46	Cosalt	57	+1
5/8	45	38	Cowan De Groot	38	−2
22/8	74½	67	Debenhams	67	−1
—	25½pm	19pm	Dundonian	19pm	−6
19/8	7	6	Dupte Intnl.	7	......
5/8	40	33½	Dutton-Forshaw	36	−½
25/7	73	65	Expanded Metal	65	−1
5/8	34	27¼	Fine Art Development	33	−½
12/8	60	56	Fluidrive Intnl.	59	......
5/8	106	83	Gibbons (S.)	104	......
8/8	180	173	Gillett Bros. Discount	173	−4
—	7pm	2½pm	Inveresk Group	3pm	+½
17/8	94	85	Kode Intnl.	85	......
2/9	112	101	Laporte	109	−1
26/8	45¾	40	M. Y. Dart	40	......
5/8	158	147	Martin the Newsagent	158	+2
26/8	9pm	6pm	McKechnie Bros.	6pm	......
25/8	35pm	27pm	Nottingham Brick	27pm	......
29/7	27	23½	Quick H. & J.	24	......
10/8	108	100	Runciman (Walter)	105	+1
6/9	13pm	8½pm	Scope Group	11pm	......
29/7	39	37	Siemssen Hunter	39	......
10/8	45	37½	Toner Kemsley	43	−1
29/7	64½	58	Transparent Paper	64½	......
—	58pm	56pm	Waddington (J.)	57pm	......
29/7	38½	38	Warne Wright & Rowland	38	......

...te usually last day for dealing free of stamp duty. a Placing ... Figures based on prospectus estimate. d Dividend rate paid or ...apital, cover based on dividend on full capital. p Pence ...dicated. u Forecast dividend: cover based on previous year's ...d and yield based on prospectus or other official estimates for ... Figures assumed. ‡ Cover allows for conversion of shares not now ...s or ranking only for restricted dividends. ** Issued by tender. ... of Ordinary shares as a "rights." ♥ 290 S.Afr. cents. † Rights ...ation. †† Minimum tender price. ◆ Reintroduced. ‡‡ Issued in ...rganisation, merger or take-over. ♣ Introduction. ♠ Issued to ...olders. ‡ Allotment letters (or fully-paid). † Provisional or partly-...s. § With warrants. Φ After suspension.

BASE LENDING RATES

k...	8½%
...Banks Ltd.	8½%
...xpress Bk.	8½%
...	8½%
...td.	8½%
...acher	9 %
...bao	8½%
...lit & Cmce.	8½%
...rus	8½%
....W.	8½%
...e Ltd.	8½%
...hone S.A.	9 %
...k.	8½%
...stie Ltd.	9½%
...dings Ltd.	9 %
... Mid. East	8½%
■ Hambros Bank	8½%
■ Hill Samuel §	8½%
C. Hoare & Co. †	8½%
Julian S. Hodge	9½%
Hongkong & Shanghai	8½%
Industrial Bk. of Scot.	8½%
Keyser Ullmann	8½%
Knowsley & Co. Ltd.	10 %
Lloyds Bank	8½%
London & European	9½%
London Mercantile	8½%
Midland Bank	8½%
■ Samuel Montagu	8½%
■ Morgan Grenfell	8½%
National Westminster	8½%
Norwich General Trust	8½%
P. S. Refson & Co.	8½%
Rossminster Accept'cs	8½%
Royal Bk. Canada Trust	8½%
Schlesinger Limited	9 %
E. S. Schwab	10½%
Security Trust Co. Ltd.	9½%
Shenley Trust	8½%
Standard Chartered	8½%
Trade Development Bk.	8½%
Twentieth Century Bk.	10 %
United Bank of Kuwait	8½%
Whiteaway Laidlaw	9 %
Williams & Glyn's	8½%
Yorkshire Bank	8½%

■ Members of the Accepting Houses Committee. * 7-day deposits 4%, 1-month deposits 4¾%. † 7-day deposits on sums of £10,000 and under 4%, up to £25,000 5% and over £25,000 5¾%. ‡ Call deposits over £1,000 4%. § Demand deposits 5½%. ¶ Rate also applies to Sterling Ind. Secs.

INTERNATIONAL COMPANY NEWS

GAF pulls out of most photographic businesses

BY STEWART FLEMING

NEW York, July 24.

GAF Corporation, which claims to be the only competitor to Eastman Kodak offering a full range of amateur photographic products in the U.S., is taking a $98m. pre-tax write-off and pulling out of most of its photographic businesses. The after-tax write-off is $54m.

The company has a long standing anti-trust suit against Kodak, alleging that Kodak has monopolised the photographic industry. In explaining its decision to give up competing with the giant U.S. photographic company GAF said that it was impossible to compete with Kodak.

While not prepared to specify what share of the film market it had before its decision, GAF said that it was "less than 10 per cent.," and described Kodak's share as "extraordinarily high."

It is not clear what impact the GAF decision will have on its outstanding anti-trust suit or on a similar $300m. anti-trust case brought against Kodak by Berkey Photo which came to trial this month.

Analysts have been expecting Kodak to offer as part of its defence evidence that it no longer has so dominant a share of the photographic markets and that its business has been suffering. GAF now seems to be in a stronger position to back up its claims about the damage it has suffered.

Mr. Jesse Werner, GAF chairman, said that the company will no longer sell or purchase for resale consumer films, colour paper and cameras and will offer for sale its domestic movie and slide projector operations. It will continue to manufacture and sell projectors in Europe, however, and it will continue to service the industrial and professional photographic markets in black and white photo products.

The company estimated that last year the businesses it is discontinuing had sales of $154m., and lost after tax about $10m. The company reported results for the continuing operations for the first six months of 1977 of profits of $12.7m. (against $16.8m. in the first half of 1976), on sales of $480.6m. (against $453.6m.).

Amro earnings to rise

BY MICHAEL VAN OS

AMSTERDAM, July 24.

AMSTERDAM - ROTTERDAM Bank, one of the Dutch big three, expects earnings per share this year to increase despite the diluting effect of its recent rights issue.

This emerges from a prospectus covering the issue of Fls.200m. of debentures. The forecast comes on top of earlier expectations from Amro that its first half profit—due to be announced in mid-August—would be down slightly on the "exceptionally good" opening six months in 1976.

The prospectus adds that business volume had developed "satisfactorily" in the past half year—this also applied to what it called "main business," excluding Euro-deposit markets. Short-term credit supply developed in line with expectation, while medium-term lending growth exceeded budgets.

This development, taking into account the restrictive impact particularly as regards housing mortgage loans supplies as a result of the central bank's imposed credit restrictions, could mean that total growth this year would be relatively modest.

Amro says that the interest margin was still clearly lower in the first half of this year compared with the same period in 1976. In the second quarter of this year the recovery set in increasingly, however.

Discussing the purpose of the bond issue, the bank pointed to the need for balanced financing of medium-term business and the central bank's domestic credit restrictive measures.

Stanger Pulp in the red

By Our Own Correspondent

JOHANNESBURG, July 24.

STANGER Pulp and Paper, the R65m. joint venture between Reed International and the South African group C. G. Smith, is expected to incur "considerable losses" in the current year.

This 55,000 tonne per annum capacity mill uses Bagasse (sugar cane waste) as a feed stock for manufacturing coated papers and tissues. The project came on stream in the first quarter of this year just as world markets were softening and local demand is not sufficient to allow the mill to run at anything near capacity.

The diversification of the Smith group is being concentrated in the unlisted parent company, which provides a major source of the major C. G. Smith sugar company's income.

Money and Exchanges

Bank of England Minimum Lending Rate 8 per cent. (since May 13, 1977)

Conditions were fairly tight in general in the London money market last week, although exceptionally large Government disbursements created slightly easier conditions on Friday, and the market was also helped at times during the week by an inflow of funds across the foreign exchange market as a result of continued diversification into almost any major currency in preference to the U.S. dollar.

Credit was in short supply in the money market on Monday and Tuesday, and the authorities gave very large assistance on both days. Money was in adequate supply on Wednesday, but a further shortage on Thursday was relieved by large lending to eight or nine discount houses at Bank of England Minimum Lending Rate.

Funds were very hard to find in late trading on Thursday and any houses hoping to pick up money at less than 8 per cent. after the intervention by the authorities were disappointed. Interbank rates soared to 50 per cent. in places towards the close, before finishing at 15-20 per cent.

The large overnight lending by the authorities was intended as a smoothing operation until Friday, when conditions were expected to produce a large surplus of funds. The overall situation was not as easy as expected however, and the authorities finished the week by giving a moderate amount of help.

Interest rates failed to show any major movement even though the longer periods were slightly firmer on occasions in nervous trading, reflecting doubts about the political and economic situation later this year, and also an underlying probability that U.S. rates will move up in the future.

The U.S. dollar fell to the lowest level ever recorded against the West German mark at DM2.2320 on Thursday, even though the German authorities had suggested that the dollar's fall had been overdone, in a statement issued on Tuesday. Other strong European currencies, such as the Swiss franc and the Dutch guilder also rose sharply, and there was further demand for the Japanese yen, but most currencies tended to decline against the dollar in late business on Thursday.

There was no general improvement by the dollar on Friday following comments by the U.S. Secretary of the Treasury on the present situation, even though trading was fairly quiet.

Several central banks, including the Bundesbank and Bank of Japan, probably intervened to prevent too sharp a fall by the dollar during the week, and the D-mark closed on Friday at DM2.2575 compared with DM2.2830 at the end of the previous week, while the yen finished at Y264.25 against the dollar compared with Y265.30 on the previous Friday.

The U.K. authorities took in more dollars for reserves over most of the week, but may have also intervened to defend the pound on occasions. Sterling finished at $1.7195-1.7205 in terms of the dollar, unchanged on the week, but the pound's trade-weighted index on the basis of the Washington Currency Agreement, as calculated by the Bank of England, fell to 60.7 from 61.

The dollar's depreciation since the Washington Agreement, as calculated by Morgan Guaranty of New York, widened to 1.93 per cent. from 1.60 per cent.

Gold rose $1 to $144½-145½ in generally quiet to moderate trading.

July 22 1977	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN EXCHANGES

[illegible]
[illegible]

OTHER MARKETS

[illegible]
[illegible]

GOLD MARKET

	July 22	July 21
[illegible]	[illegible]	[illegible]

EXCHANGE CROSS-RATES

July 22	Frankfurt	New York	Paris	Brussels	London	Amst'dam	Zurich
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FORWARD RATES

	One month	Three months
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES*

July 22	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss franc	W. German mark
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY RATES

	Special Drawing Rights July 22	European Unit of Account July 22
[illegible]	[illegible]	[illegible]

MINING

Inquest on a Twelfth Night peep-show

BY LODESTAR

UNDER THE heading "a mellow, post-prandial peep into 1977" an account was given here in January of a convivial Twelfth Night dinner and the mining investment conclusions reached by the various participants. With the year now half gone I thought it would be a good idea to get them together again for a review of the resultant article and to gather what their thoughts are now.

One of the stockbrokers, the one who has never spoken to me since, made his excuse but the others accepted including that legendary, but shy, character the "man who has made more money in the mining markets than anyone I know." Fortunately, there were no misadventures with the port on this occasion. We contented ourselves with brandy. At this stage in the proceedings copies of the January article were distributed. Perusal thereof naturally produced mixed reactions.

All eyes first turned to our "successful" friend who had gone through 1976 with tin shares the number one mining growth section of that year: had more than doubled his money in Ayer Hitam; and had gone forward into 1977 with Malayan Tin, now 295p against 230p then, as his chief holding. He noted with satisfaction that I had again drawn attention to this particular share recently.

Why should I sell he asked. The metal price is still on the upward path. As your column has pointed out it is well above its 1976 averages both in London and Penang. And there is nothing the ITC's buffer stock manager can do about it. He is, however, well equipped to defend the new dealing "floor" of $M1,200 a picul which compares with last year's average of $M1,146 and a current price of $M1,559.

Plantinum and gold

In London the Rayner-Harwill theory that the March price peak of £6,400 a tonne could well be tested before the year is out looks a reasonable supposition with the cash quotation now at £6,165 and with some enthusiasts looking for £7,000 and more if the Americans do not manage to tip any tin out of their strategic stockpile before 1978. So "I am not sceptical of either Malayan or Saint Piran yet awhile." But "I am a buyer of Rustenburg Platinum," he added a trifle defiantly.

There was a slight choking sound from the analyst member of the party who, it may be remembered, had given his blessing to these shares on Twelfth Night. They were then 93p and are now 65p. Why, he asked. Well, our friend said, I read everything that Rustenburg's Sir Albert Robinson and Impala's Mr. Ian Greig say which admittedly only confuses me. But, "I can't help feeling, along with stockbrokers James Capel, that here is the kind of bombed-out situation which I am always on the look-out for. If the gold price goes on up then so probably will that of platinum."

Mention of gold brought happy smiles all round because on Twelfth Night we had been pretty unanimous that gold shares, especially gold-uraniums, should be one of the sections to go forward with into 1977. Bullion was then $135¼ an ounce. On Friday night it was $145 in New York. Randfontein have risen from £22½ to £28 having doubled in price in 1976 since one of the brokers present originally recommended them here. Have you still got them I asked. No, I got out last week, he replied. "I am not greedy. Shall probably replace them with Ergo when they come on the market and the stags have got out."

So the party reached a general agreement that some gold-uranium flavour should be retained in mining portfolios with Buffelsfontein a popular choice. One broker recalled that Camflo and Agnico-Eagle had been our Canadian gold selections in January and that those of his clients who had a political aversion to South Africa had done quite well out of them. Which brought us round to diamonds.

More likely to go up than down was the Twelfth Night verdict on De Beers. In fact, they have risen from 212p to 283p despite the political clouds that hang over them. The analyst who had mourned the fact in January that nobody then wanted to know about the statistically watertight case that could be made out for De Beers said that at least the Americans were now paying attention. But the consensus of opinion was that if buying from that quarter pushed them up to the 300p level then a profit-taking opportunity might present itself. Meanwhile, next month's half-year results, reflecting the recent brilliant CSO six-month diamond sales figure, could have a bullish impact.

Seltrust v. RTZ

At this point I recalled January's RTZ versus Selection Trust argument with the verdict then that the former were to be preferred because it was better in these inflationary days to sit on young mines already in production than to face all the financial problems that followed the discovery of new ones.

Since then, despite all the uranium cartel litigation that has been overshadowing the market in RTZ shares, they have gone up from 177p to 203p whereas Selection Trust are unchanged at 450p. Thus so far the propounder of this particular theory has been right and "would have been far more so if it weren't for all this ridiculous cartel business" to quote his own words. And, he added, "don't forget that RTZ is now free from U.K. dividend restrictions. So shareholders can participate to the full in its prosperity."

The argument went on through another round of brandy with Mr. Chester Beatty's comforting remarks about the financing of the new mines which Selection Trust is so adept at finding being quoted. Just when the discussion seemed to be settling nowhere our "successful" member remarked quietly that he had just bought some RTZ. There seemed nothing more to say.

Except that somebody who produced a diary with the end-1976 share prices pasted into it did point out that Consolidated Gold Fields are actually slightly lower now than then despite the distinctly better gloss on the gold front which he said "seemed odd." We agreed.

"No immediate hurry to buy copper shares but such a time could come along in the first half of 1977" was the final verdict read out from the January article. Did it? No, we all agreed while one member of the party blew on the fingers that he had burnt in the metal market. The consensus of opinion was that before the end of the year there could come a time to buy Bougainville, Palabora, MIM Holdings or even Messina but not yet. The discussion closed amiably with some general enthusiasm for Australian coal shares and a unanimous feeling that the Queensland labour troubles had depressed Utah Mining Australia (395p) unduly.

INSURANCE

Protecting the policyholder

BY OUR INSURANCE CORRESPONDENT

IN ALL countries where insurance is provided not by state organisations but by companies or underwriters operating for private profit or policyholders' mutual benefit, governmental supervisory agencies have powers of varying degrees. For the most part these powers, exercised in this country by the Department of Trade, are meant to reduce if not to completely eliminate the risk of failure. Here in Britain there is an ever-growing list of rules within which insurers must transact their business: some of these rules, so to speak, are home-grown while others stem from our membership of the EEC.

So long as those who operate the supervisory regulatory machine intend (as does the DoT) to permit insurers the maximum of freedom within the law to compete on existing contracts and to develop new contracts for the greater benefit for the insuring community, there must remain the risk of failure. Now there is a long stop, for the protection of the insuring public, in the Policyholders' Protection Board which was set up by the Policyholders' Protection Act of 1975.

Just over a month ago the Board published its report and accounts for the year ended March 31, 1977. The record shows that the Board met some seven times during the year and that "virtually all the activity of the Board has related to the exercise of its functions in respect of to insurance companies in provisional liquidation"—Fidelity Life Assurance Ltd. and Capital Annuities Ltd.

The extent of the Act's protection, which the Board has to ensure, is set at a maximum of 90 per cent. benefit of policies, other than those such as motor which are within our compulsory insurance laws; however in the case of life policies where it seems that the promised benefits are unusually generous, the Board can consult an independent actuary and in the light of his advice reduce the benefits to the extent that he recommends.

The Act empowers the Board to raise levies from the company market up to 1 per cent. of premium income for the preceding year; there are two possible levies, one for life (long-term) business and the other for general business. The Board's report states that close on a year ago a levy of £1.5m. was imposed on long-term business, at the rate of 0.25 per cent. of the premium for 1975 in respect of policies effected after 1974. More than £1.1m. of this was paid out to policyholders of Capital Annuities Ltd. before the Board's year concluded at March 31: by the end of May another £141,000 had been paid out in the same direction.

However, the Board is hopeful that it will not have to call for any further levy in the current year, which will end in March 1978, either to augment its funds for Capital Annuities Limited or to provide cash to deal with the problems posed in the handling of Fidelity Life's business. But it warns that sometime in the year 1978/79 some money may be required to ease the cash flow problems of the latter company: because of the Board's intervention Fidelity Life's business is now positively backed by the American parent, the Fidelity Corporation of Richmond, Virginia.

Presumably any money levied for Fidelity Life in the latter half of 1978 will be returned to the Board fairly swiftly and, in the absence of any other need for funds, thereafter to contributing members.

The outlook is reasonably fair. But the more detailed control over motor business exercised by the Department of Trade since the specialist motor failures in the late 60's and early 70's, and over life business since the troubles of the linked life business since the troubles of the linked life companies a few years back, surely makes it less likely that the Board will be called upon to intervene again. It is not just in the interest of the companies that this should be so, but of policyholders generally. For the levies that the Board extracts from the companies come from policyholders' funds, and to the extent that calls are made, by the Board, for the benefit of the affected few, those funds are inevitably diminished to the detriment of the majority of policyholders.

Call to revive Britain's Civil Defence force

THE GOVERNMENT is to be asked to revive Britain's Civil Defence force.

This was one of the main decisions reached at a meeting of reserve army chiefs from the NATO Alliance, which has just ended in London.

The Inter-Allied Confederation of Reserve Officers held its annual congress in Britain this year for the first time since its inception in 1948.

According to intelligence reports disclosed to the congress, Russia and countries belonging to the Warsaw Pact have put civil defence on the same footing as the three armed services.

Captain Stanley Baldwin, of the Royal Fusiliers Territorial and Volunteer Reserve, said it had been decided to make representations to the British Government, and to other governments within the NATO Alliance, to revive their civil defence forces.

"Although this will cost money and will be difficult in the present economic climate, civil defence has an important peace-time role.

"It is not a case of training a force to be kept in reserve waiting for a war that might never take place. It has a useful function during civil emergencies.

"Many container lorries carry dangerous loads. If one overturned, a whole village could be put in peril. A civil defence force could play an important part supporting the local emergency services."

Up to 1,000 delegates attended the conference.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Alyn and Deeside (0244 831212)	11¾	½-year	100	4-6
Barking (01-592 4500)	12½	½-year	5,000	4-6
Barnsley (0226 203232)	12½	½-year	250	4-7
Erewash (0602 303361)	12¾	½-year	5,000	4
Greenwich (01-854 8888)	12½	½-year	1,000	4-7
Greenwich (01-854 8888)	12½	½-year	5,000	4-7
Liverpool (051 227 3911)	11¾	½-year	500	3
Liverpool (051 227 3911)	12½	½-year	500	4-6
Poole (02013 5151)	11½	½-year	500	3-5
Poole (02013 5151)	12	½-year	500	6-7
Redbridge (01-478 3020)	12	½-year	200	4-7
Sefton (051 922 4040)	11½	½-year	2,000	3-5
Sutton (01-643 6060)	12½	½-year	500	4-7
Thurrock (0375 5122)	12¾	½-year	300	4-7
Worcester (0905 23471)	12	½-year	1,000	4-10

LABOUR NEWS

Civil Service manpower growth virtually halted

BY DAVID CHURCHILL, LABOUR STAFF

THE GROWTH in Civil Service manpower has virtually halted after the rapid increase in the past few years to cope with unemployment and new legislation, according to Government statistics published to-day.

In April, there were 745,550 administrative and industrial civil servants compared with 746,120 on January 1 last year. The Civil Service was expected to grow to almost 760,000 this year because of increased demand before Government measures to control the growth of the bureaucracy took effect.

To-day's figures show the measures, including a reduction of about 40,000 in planned jobs and the use of cash limits and a freeze on recruitment, have already started taking effect.

The Civil Service is expected to continue to shrink as Government stringency continues and the cuts of £170m. in manpower costs in the next three years take full effect.

Civil Service unions are angry at the cut in manpower growth when there is no corresponding reduction in the amount of work—and an increase in such demand-related departments as Social Security and Employment because of rising unemployment.

The unions say the Government's financial stringency, especially the freeze on staff recruitment, has adversely affected civil servants' morale.

To-day's figures from the Civil Service Department also show that about three-quarters of civil servants work outside the Greater London area. Mr. Charles Morris, CSD Minister, repeated at the week-end the Government's decision to go ahead with plans to disperse 30,000 civil servants from London to the provinces.

Mr. Morris was commenting on a report by the Location of Offices Bureau, a Government agency, which criticised the locations chosen for the dispersal programme.

The bureau pointed out that areas of Scotland and Wales chosen for the moves were already short of office space.

GMWU seeks to prevent 'Bullock by law'

BY OUR LABOUR STAFF

BRITAIN'S THIRD largest union, the General and Municipal Workers Union, is to try to prevent the Trade Union Congress adopting a policy supporting blanket legislation for worker representation on company Boards at Blackpool in September.

The move, in a motion for debate tabled by the union, comes at a time when the TUC is not united on the issue of worker participation. The Government's views on the Bullock report are unlikely to be made public until the autumn.

The motion welcomes the "analysis of the Bullock committee report highlighting the need for industrial democracy and re-affirms its belief in urgent legislative action in this field."

Unity

But the union rejects any policy which assumes that the only way forward is to introduce legislation giving worker representation on the policy-making Boards of companies.

Instead, it says that in order to maintain maximum unity within the trade union movement the TUC general council should draw up principles of legislation for submission to the Labour Government "that would provide for statutory backing to all unions wishing to establish joint control of strategic planning decisions via trade union machinery."

The resolution adds: "This legislation would include the option of parity representation on the Board, but would also give legal backing to more flexible forms of joint regulation more clearly based on collective bargaining."

Crucial

In addition, the resolution "asserts that legislation on industrial democracy is a high priority, and that united policy on this issue within the Labour movement is crucial".

Mr. David Basnett, the union's general secretary, who does not oppose the Bullock report but thinks it not radical enough, said yesterday: "Our aim is not to hold up legislation, rather the reverse. Our motion is trying to establish a new basis for a united trade union movement to agree a viable policy and to persuade the Labour Government to legislate on the basis of that policy."

New union pledge to fight cuts

By Our Labour Staff

NINE PUBLIC service trade unions, representing about a quarter of the TUC's total membership, have decided to continue their national campaign against the cuts in public spending.

The steering committee, set up by the unions to plan strategy, has decided to mount a national petition against the cuts, coupled with a lobby of Parliament and a rally in London later in the year.

This action will be preceded by a week of action throughout the country, during which the unions will draw the public's attention to the effects of the cuts at a local level.

The campaign, timed to coincide with the Treasury's annual review of public expenditure, will draw attention to the growing unemployment in both the public and private sectors caused by the cuts.

It will stress the importance of a substantial investment in the public services before a return to full employment can be achieved.

But some union activists are believed to be unhappy at the steering committee's strategy, as a national lobby and one-day strikes over the past year has failed to have little impact on the Government's policies.

They feel the unions should take more militant action.

The unions include: The National and Local Government Officers' Association; the National Union of Public Employees; the Association of Scientific, Technical and Managerial Staffs; the Confederation of Health Service Employees; the Civil and Public Services Association; the Society of Civil and Public Servants; the National Union of Teachers; and the National Association of Teachers in Further and Higher Education.

Highly-paid women workers 'gain most'

BY OUR LABOUR STAFF

HIGHLY-PAID women workers have gained most from the Equal Pay Act, according to a survey carried out by the Low Pay Unit.

The unit, a pressure group formed to draw attention to the problems of low pay, says that the greatest increase in earnings gains under the Act were made by the top 25 per cent. of female manual workers. Lowest paid women workers have gained the least, it adds.

But the unit believes that a general attack on the causes of low pay would be more effective than reforming the Equal Pay Act.

Meanwhile, a National Institute of Economic and Social Research report says that the bulk of the U.K.'s poor are old, ill, disabled or single-parent families.

The report suggests that these categories accounted for almost two-thirds of the poor in a detailed analysis of statistics for 1971. The unemployed accounted for 10 per cent., but this figure might have risen since 1971.

The report, from three staff members of the Institute, is the result of a long inquiry into the extent and impact of poverty in the years 1953-73.

On an absolute measure of poverty—defined in terms of the 1971 supplementary benefit level—there had been a dramatic fall in numbers of the population in poverty, from 20 per cent. in 1953-54 to 2.6 per cent. in 1973, the study shows.

Poverty and Progress in Britain, 1953-1973. Cambridge University Press, £6.00.

Medical union attacks student cuts plan

THE MEDICAL Practitioner Union yesterday criticised the British Medical Association policy of backing a reduction in the intake of students to medical schools.

The BMA, at its meeting in Glasgow on Saturday, called for a freeze on the intake of students for fear that there would soon be too many doctors.

But the MPU, a section of the Association of Scientific, Technical and Managerial Staffs, said such a move would be bad for both doctors and patients.

The MPU council said after a meeting yesterday that Britain had 135 doctors per 100,000 inhabitants compared with 196 doctors in Austria, 199 in Italy, 161 in the U.S. and 275 in the Soviet Union.

They called for greater spending on health to include the provision of 6,000 additional general practitioners needed to ensure eight weeks' annual holiday or study leave each year.

The country needed 7,500 additional general practitioners to achieve an average patients' list of 1,750 per doctor, 5,000 new consultant posts to relieve overwork in that area and another 5,000 posts for junior hospital doctors.

APPOINTMENTS

Borthwick Group post for Burditt

Mr. David Burditt has been appointed group managing director of THOMAS BORTHWICK AND SONS from October 1. Mr. Burditt is at present managing director of Beecham Products International, a consumer products division of Beecham group. Dr. W. A. Bullen, who is both chairman and managing director of the Borthwick Group, will continue as chairman.

★

Mr. J. W. C. Poole has been appointed chairman of the finance committee of the BRITISH HEALTH CARE EXPORT COUNCIL. Mr. Poole is managing director of InterMed.

★

The STEWART WRIGHTSON international insurance broking group has created a company, Stewart Wrightson (North Western) to handle their expanding business on Merseyside and surrounding areas. Mr. D. W. Lilly is managing director and Mr. A. P. Gavaghan, Mr. A. M. Brunskill and Mr. D. Highet are directors, while Mr. G. Crossley has been appointed an assistant director.

★

Mr. Ian Pugh has been appointed managing director of CROTHALLS, part of Pritchard Services Group. He succeeds Mr. Jim McLaughlan who has moved to the Crothall company in New Zealand. Also Mr. David Sturt has been appointed managing director of PRITCHARD BUILDING PRESERVATION succeeding Dr. Alan Benster and will be based at the Pritchard Building Preservation head office in Leeds.

★

Mr. James D. Morgan has been appointed managing director of HIGHLANDS UNDERWRITING AGENTS, a member of the Highlands Insurance Company group who are members of the Halliburton Group.

★

Mr. Eric Orbell on relinquishing his responsibilities as chairman of LESLIE AND GODWIN (U.K.), will now, as a Holdings Board director, be dealing with the development of the group's plans for the future, retaining his responsibilities in respect of Scotland, Ireland and St. Helen's Trust. Mr. Lucien Wigdor, deputy chairman and chief executive of Leslie and Godwin (Holdings) has additionally become chairman of Leslie and Godwin (U.K.), with—as previously announced—Mr. Clive Williams as chief executive.

★

Mr. Timothy Joyce, president of the JWT New York subsidiary Axiom Market Research Bureau, is to be the new Media director of JWT LONDON and joins the Board on September 1. He succeeds Mr. David Wheeler who joins the Institute of Practitioners in Advertising on October 1 as Director-Elect in preparation to take over from Mr. James O'Connor when he retires at the end of the year.

★

Mr. G. R. Gibson has been appointed sales director of WATSON JCB.

★

Mr. Geoffrey Mulcahy has joined the BRITISH SUGAR CORPORATION as director of finance. Since 1974 Mr. Mulcahy has been financial director (North Europe) for the Norton Company, of Massachusetts.

★

RANK FILM LABORATORIES has made Mr. Roy Login, who has been controller of operations, director of operations. Mr. Len Richardson, general manager of Rank Video Centre, also joins the Board with overall responsibilities for the Laboratories' videotape and post production facilities.

★

Mr. Douglas Strachan, currently the commercial director of SVPW, the wine and spirit division of ALLIED BREWERIES, is taking up a newly created position as corporate affairs director of AB (U.K.), the beer and hotels division of Allied. Mr. Strachan, who is a main Board director of Allied, assumes his new role from September 25.

★

Mr. S. W. Murray Threipland and Mr. V. Hollingworth have joined the Board of F. PRATT ENGINEERING CORPORATION.

★

MINET HOLDINGS has announced the election of Mr. H. J. C. Pulley as a director of their wholly owned subsidiary, Anderson Finch Villiers.

★

Mr. Ian Melrose, national accounts director of Birds Eye, is joining WALL'S MEAT COMPANY as trading director in September. His role will include responsibility for the salesforce, currently headed by Mr. Roland Denning, sales director, who is leaving the company to take up a senior overseas appointment with Jardine Matheson and Co.

★

Mr. F. M. Bromilow has been appointed controller of the CO-OPERATIVE WHOLESALE SOCIETY'S food division. At present general manager of the provisions group within the food division, Mr. Bromilow's appointment takes effect from September 5. He takes over the division from Mr. Peter Gray, who is leaving the CWS after nine years to take up an outside appointment.

ENTERTAINMENT GUIDE

These theatres accept certain credit cards by telephone or at the box office

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

CLUBS

EXHIBITIONS

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

COMPANY MEETINGS—

Amber Industries, 2 and 4 St. Mary Axe, E.C., 2.30
Dominion and General Trust, Edinburgh, 12
Hocroft Trust, 25 Milk Street, E.C., 1
Hunting Gibson, Avenfield House, Park Lane, W., 12.30
House Property of London Eagle House, S.W., 12
Keyser Ullmann, 25 Milk Street, E.C., 12
London and Overseas Freighters, Baltic Exchange, E.C., 11
Norcros, Connaught Rooms W.C., 12
Property Holdings Investment Trust, The Dorchester Hotel, W., 12
Scotcros, Glasgow, 12
Whitecroft, Manchester, 12

BOARD MEETINGS—

Foreign and Col. Inv. Tst
Gen. Stockholders Inv. Tst.
Leda Inv. Tst.

DIVIDEND & INTEREST PAYMENTS—

Attwood Garages 0.8375p
Austin (E.) 2.3375p
B.E.T. Omnibus Services 10pcPf. 3.5p
Bank of Nova Scotia 21½ cts.
Camden 11¼pcBds. Red. 27/7/77 £6.0682
Congleton 11¼pcBds. Red. 27/7/77 £6.0682
Cotswold 11¼pcBds. Red. 27/7/77 £6.0682
Crewe and Nantwich 11¼pcBds. Red. 27/7/77 £6.0682
Darby 11¼pcBds. Red. 27/7/77 £6.0682
Easington 11¼pcBds. Red. 27/7/77 £6.0682
Erewash 11¼pcBds. Red. 27/7/77 £6.0682
Flexello Castors and Wheels 1.05p

TO-MORROW

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

WEDNESDAY JULY 27

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

THURSDAY JULY 28

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

Prince of Wales Hotels 2.285p
Proprietors of Hay's Wharf 1.432p
Sainsbury (J.) 3.57p
Schlesinger American Investment Ptg. Red. Pf. 4.25p
Scottish American Investment 0.8p
Shanks Holdings Db. 3½pc
Sketchley 2.84887p
Smiths Industries Dbs. 3¼ and 5½pc. Lns. 3¼ and 4pc
Spear (J. W.) 1.0964p
Sumrie Clothes 1.25p
Tace 0.5p. 4pcPfd. 1.4p
Tecelemit 1.9805p. Db. 2½pc
Thorn Electrical Ln. 2½pc
Tootal Ln. 3½pc
Tor Investment Trust Dbs. 2 2½ and 2½pc
Transamerica Corp. 16½ cts.

FRIDAY, JULY 29

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

Finance and Industrial Trust 1p
Finlay (James) 3.11p
Hambros (£10 with £2½ paid) 5.675p. Shares 5.675p. A Shares 2.1p
Hawkins and Tipson 1p
Heywood Williams Ln. 4pc
Holt Lloyd International 3p
Hopkinsons 7pcPf. 2.45p
Hunting Gibson 5.7205p
Johnson—Richard (H. R.) Tiles 5pcPf. 1.75p
Joseph (Leopold) 6.027p
Kalamazoo Ln. 4½pc
Land and House Property Db. 5½pc
M.K. Electric 2.68p
Macanie (London) 1.434p
Monks Investment Trust 0.95p
NCR Corporation 20 cts.
National Carbonising 1.3p
Parker Knoll Db. 4½pc

SATURDAY, JULY 30

DIVIDEND & INTEREST PAYMENTS—

Croda Food Ingredients 8pcPf. 2.8p
Drayton Commercial Investment 4pcPf. 1.4p. Dbs. 1½ 2 2½ 2¼ and 2½pc
Duport Dbs. 2¼ and 3pc
Dykes (J.) 8pcPf. 2.8p
English and Scottish Investors Dbs. 2 2½ and 3¼pc
Garnar Scotblair Ln. 4½pc
Gieves Group 5pcPf. and 5pcBPf. 1.75p
Glanfield Secs. 7½pcPf. 2.625p
Glendevon Investment Trust Db. 5.3pc
Gomme Holdings 7pcPf. 2.45p
Guildhall Property Db. 3½pc
Hewden-Stuart Plant Ln. 3½pc
House of Fraser 4½pcPf. 1.575p. 5½pc Pf. 1.925p. 7½pcPf. 2.625p. Lns. 3 and 4½pc
Hunslet Db. 3¼pc
Imperial Chemical Industries Bds. 1964 4½pc

SUNDAY, JULY 31

DIVIDEND & INTEREST PAYMENTS—

"Investing in Success" Equities Db. 2½pc
Johnson and Firth Brown 11.05pcPf. 5.525p
Kent 5½pc Red. 74-78 2¾pc
Lake and Elliot 6pcPf. 2.1p
Lewis (John) Properties Dbs. 4½ and 5pc
Linread Ln. 4pc
London and Lomond Investment 4¼pcPf. 1.4875p. 5¼pcPf. 1.8375p
M. and G. High Income Fund Units Income Units 3.2p
Macallan-Glenlivet 8¾pcPf. 3.0625p
Macdonald Martin Distilleries 5½pcPf. 1.925p
Marley 6pcPf. 2.275p. Db. 3½pc
Morris (B. O.) 5pcPf. 1.75p
Osborn (Samuel) Db. 3½pc
Press (William) Ln. 4pc
Reed International Db. 2½pc
Riley (Robert) 0.325p
Scott (James) Engineering 6½pc1stPf. 2.275p. 6½pc2ndPf. 2.275p
Smith and Nephew 5½pcPf. 1.925p
Spillers 6pcPf. 2.1p
Throgmorton Secured Growth Trust Db. 3¹¹⁄₁₆pc
Tricentrol Ln. 3½pc
UDS Ln. 3¼pc
Ultramar 7pcPf. 3.5p
Warwick Engineering Investments Ln. 5pc
Whites (Timothy) Ln. 4pc

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	British Genius Exhibition (cl. Oct. 30)	Battersea Park, S.W.11
Current	Silver Jubilee Exhibition (cl. Sept. 4)	Hyde Park, W.1
Current	Cycling and International Cycle Show (cl. July 31)	Harrogate
To-day	Brighton Antiques Fair (cl. July 30)	Brighton
Aug. 4—20	Birmingham Int. Ideal Home Show	Nat. Exbn. Centre, B'ham.
Aug. 14—18	British Musical Instrument Trade Fair	Bloomsbury Centre Hotel
Aug. 14—18	International Gifts Fair	Olympia
Aug. 22—26	Construction Plant & Commercial Transport Exbn.	Belfast
Aug. 23—25	Education & Communication Technology Exbn.	Holland Park School
Aug. 27—Sept. 3	Motor Cycle Exhibition	Earls Court
Sept. 4—7	International Fashion Fair	Nat. Exbn. Centre, B'ham.
Sept. 4—8	International Watch and Jewellery Trade Fair	Wembley Conf. Centre
Sept. 6—8	International Carpet Fair	Harrogate

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Aug. 19—28	International Trade Fair	Malmo
Aug. 21—23	International Men's Fashion Week	Cologne
Aug. 26—29	International Horticultural Fair	Ghent
Aug. 26—Sept. 4	International Radio and TV Exhibition	Berlin
Aug. 28—31	International Fair	Frankfurt
Aug. 29—Sept. 2	International Packaging & Food Processing Exbn.	Johannesburg
Sept. 6—10	Industrial Electronics & Electrical Eng. Exbn.	Basle
Sept. 7—11	International Autumn Fair	Vienna
Sept. 9—18	International Autumn Fair	Zagreb

BUSINESS AND MANAGEMENT CONFERENCES

July 27	British Institute of Management: Employee Participation and the Disclosure of Information	Parker St., W.C.2
July 27	Brunel University: Motivation at Work	Uxbridge
Aug. 8—12	Abraxas: Synetics—Innovative Skills	68, Churchway, N.W.1
Aug. 9—11	Marketing Improvements: Finance for Marketing Management	Holiday Inn Hotel, N.W.3
Aug. 15	Production Engineering Research Association: Management Techniques	Melton Mowbray
Sept. 6—8	Urwick: Management of Finance in Construction	Slough
Sept. 8—9	Financial Times, Korea Traders Association: Korea and the International Business Community	Seoul

The week in Parliament

TO-DAY

Commons — Finance Bill, completion of remaining stages.

Lords — British Railways Order Confirmation Bill, report and remaining stages. National Health Service Bill, committee and remaining stages. Coal Industry Bill, report and remaining stages. Local Authorities (Restoration of Works Powers) Bill, report and remaining stages. Debate on developments in the EEC, including the U.K. Presidency. Debate on policies to protect the elderly, sick and disabled against cold in the coming winter.

TO-MORROW

Commons — Debate on Select Committee Report on the Conduct of Members. Debate on the Joint Select Committee Report on Sound Broadcasting. Motions on the African Development Fund Order, the Assistance for House Purchase and Improvements Order, and on Members' Allowances, Salaries and Pensions.

Lords — Motion to Approve Ministerial and Other Salaries Order, 1977. Administration of Justice Bill, consideration of Commons amendments. Water Charges Equalisation Bill, consideration of Commons message. Debate on Report of Select Committee on Commodity Prices.

Select Committee — Nationalised Industries, sub-committee B. Subject: British Waterways Board. Witnesses: South Yorkshire County Council (Room 8, 4 p.m.).

WEDNESDAY

Commons — Consideration of Lords Amendments to the Control of Office Development Bill. Proceedings on the National Health Service Bill (Lords), and the remaining stages of the Employment Protection Bill (Lords). Motions on the Orders on Dividends, Pay and Prices.

Lords — Housing (Homeless Persons) Bill, report and remaining stages. Motions to approve Price Code Orders. Patents Bill, consideration of Commons amendments. Debate on defence policy in relation to nuclear weapons.

THURSDAY

Commons — Consolidated Fund (Appropriation) Bill.

Lords — Northern Ireland Emergency Provisions Bill, consideration of Commons amendments. Finance Bill, all stages. Motion on broadcasting the proceedings of the House. Control of Office Development Bill, consideration of Commons message. Coal Industry Bill, consideration of Commons message. Local Authorities (Restoration of Works Powers) Bill. Unfair Contract Terms Bill, consideration of Commons message. Motions to approve Redundancy Rebates Order, Cinematograph Films (Collection of Levy) (Amendment No. 5) Regulations 1977, Films (Exemption from Quota) Order 1977, Civil Aviation (Air Travel Organisers Licensing) (Reserve Fund) (Amendment) Regulations 1977.

FRIDAY

Commons — Short debates on various topics prior to the House rising for the summer adjournment until October 26.

Lords — Consolidated Fund (Appropriation) Bill, all stages. Royal Assent. House adjourns for summer recess.

Wales may be chosen for Hoyne factory

BY CHRISTOPHER DUNN

HOYNE INDUSTRIES, a U.S. manufacturer and retailer of glass mirror tiles, is contemplating opening a factory in Wales.

Plans are well advanced for Hoyne, a subsidiary of Royal Crown Cola, the U.S. soft drinks operation, to set up manufacturing operations in a 60,000 square foot factory employing some 200 workers.

The precise location of the factory in the U.K. has not yet been established, but Wales is the front runner.

Hoyne is also optimistic about labour relations. Mr. Bill Hamilton, vice-president of Hoyne, said: "Labour relations in the U.K. are no different to anywhere else, once you do the work on them.

"The company's optimism about the work force was one of the principal reasons behind a switch to the U.K. from Belgium, the location selected originally, for Hoyne's overseas expansion.

Hoyne, set up some eight years ago, and acquired for shares in 1970 by Royal Crown, has been selling into the U.K. market since 1974 from a warehouse base in South West London.

The present highly fragmented market for glass mirror tiles in Britain is similar to the position in the U.S. at the beginning of the decade. But within a few years in the U.S., Hoyne achieved a 70 per cent. share of the market.

It is hoping to do the same overseas and the Welsh location is strategically important because Hoyne's principal markets are still in Lodon and the Midlands.

The company believes that a U.K. base is a very convenient "bridgehead" with which to penetrate the Common Market.

If Hoyne achieves market penetration in Europe on the scale it hopes, it may well build another four factories, all of which could be located in Wales.

There are about 150 foreign companies trading in Wales.

OVERSEAS MARKETS

EUROBONDS

BY MARY CAMPBELL

Dollar interest centred on secondary dealings

WITH a continuing low volume of new issues on offer, buying interest in the dollar sector centred on the secondary market last week.

In the D-mark sector there no let up in investor interest and both issues on offer had their indicated coupons cut. Original indications in the case of the EIB issue had been 6½ per cent at a discount and for Spain, a coupon of 7 per cent.

Views on the extent to which the shortage of new paper on offer, particularly good quality new paper, is artificially underpinning the dollar sector: However there is no doubt that the market got a fillip at the end of last week from the latest weekly U.S. money supply figures. These showed a fall $1.7bn. in M1 after significant increases for three consecutive weeks.

Last week's fall went far to quieten fears that the U.S. authorities would have to tighten monetary policy.

Of most interest this week will be the INA convertible issue.

The issue was announced over the week-end at $50m. for 20 years rather than the $75m. widely expected in the market. It appears that $75m. had been under consideration.

The indicated terms include a coupon of 6 per cent. and a conversion premium of between 10 and 15 per cent.

Although Japanese companies have made larger convertible issues in the Eurobond market in the past couple of years, the INA offering will be largest by a U.S. company since 1973. As such it is bound to attract a lot of attention, although many U.S. convertibles are still being quoted well below par.

Full details on the company *and comparative data for U.S. insurance companies as a group* will be made available at presentations being held in all major European financial centres in the course of this week (the roadshow hits London to-day).

By way of an indication, the most recently rated U.S. paper issued by INA Corporation was a twenty year $75m. private placement of senior debt in the *U.S. earlier this year. This was* rated at the top end of the single-A category by Standard and Poors.

INA Corporation is among the ten largest insurance groups in the U.S.—seventh largest by some measures. It derives 66 per cent. of its revenues from property and casualty insurance, 20 per cent. from life insurance and the remainder from other activities such as investment banking and health care (it has a majority stake in the lead manager for its issue, Blyth Eastman Dillon). The proceeds of the issue are to be put towards expanding its commercial insurance business in the U.S. and worldwide.

Its share price has ranged between $40 and $48 this year, between $34 and $47 last year and between $19 and $57 during the previous 15 years. The low point was in 1974 when the whole U.S. insurance industry was badly hit by a large number of major disasters. In this context, INA's exposure to claims resulting from the recent New York black-out is reportedly very small.

It is also worth noting that U.S. insurance stocks have performed very much better than U.S. stocks *in general during the past 18* months.

Issues mooted for the coming week include a dollar bond for *TNT International Finance,* a subsidiary of the Australian company Thomas Nationwide Transport which made a $10m. warrants issue last year, and a Quebec Hydro DM150m. issue.

The European Coal and Steel Community is reportedly raising $25m. via a group headed by Société Générale. The issue is a private placement offering an indicated 8 per cent. for nine years (average life 4.6 years).

The meeting of the Capital Markets Sub-Committee in Germany on Friday scheduled DM800m. worth of new issues for August (including issues for international institutions). This is slightly more than this month's new issue volume.

The size of the floating rate certificate of deposit issue for Dow Banking Corporation managed by European Banking and Schroder Wagg was increased from $10m. to $15m. in the course of the placing period. The issue offered a quarter point spread over six-month LIBOR with the minimum set at 6½ per cent. for the first three years and 7 per cent. for the last two. The borrower has a single prepayment option at the end of three years.

This was the first ever issue of floating rate CDs for a non-Japanese bank—when the instrument first came into operation a couple of months back, it was expected particularly to appeal to Japanese commercial banks because they are restricted from issuing floating rate notes.

It appears that one reason why Dow Banking has chosen to issue floating rate CDs rather than floating rate notes is that Swiss taxation law would require it to pay withholding tax on an issue of FRNs but not on an issue of CDs.

EUROBOND TURNOVER

Nominal value $m.

	U.S. $ bonds Last week	Previous week	Other bonds Last week	Previous week
Cedel	569.0	484.4	123.6	243.0
Euroclear	969.2	1,069.5	150.8	204.7

CURRENT EUROBOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Brazil	50	1982	Bullet	9	*	Merrill Lynch, Deutsche	*
‡Banque Extérieure d'Algérie	25	1982	†	9	100	UBAF, KHC	9
†Fisons Intl. Fin.	20	1992	11.8	8¾	100	Morgan Grenfell	8.75
						Kredietbank Lux., Citicorp Intnl.	
Telefonicos Mexicanos	40	1984	†	9½	*		*
MOL International (g'teed Sumitomo)	20	1984	Bullet	7¾	discount	Commerzbank	
§ Kao Soap	20	1992	—	6	*	Daiwa, Goldman Sachs	*
RHM Overseas	40	1992	11.7	9	*	Morgan Grenfell	*
§INA Corp.	50	1997	—	6	*	Blyth Eastman Dillon	*
D MARKS							
European Invst. Bank	150	1989	8½	6¼	*	Deutsche	*
Spain	200	1984	Bullet	6¾	*	Dresdner	*
SWISS FRANCS							
‡Superfos	50	1992	n.a.	5¾	99	Swiss Bank Corp.	5.85
Swiss Aluminium Australia	100	1992	n.a.	5½	*	Crédit Suisse	*
LUXEMBOURG FRANCS							
European Invst. Bank	500	1987	n.a.	8	99	Kredietbank Lux.	
BAHRAINI DINARS							
						BAII (mideast)	
CNAN (g'teed. BEA)	10	1987	Bullet	8¾	100	Abu Dhabi Invst. Co.	8.75

* Not yet priced † Final terms § Convertible ‡ Purchase fund

Saudi and Egyptian interest in Nova Park

By John Wicks

ZURICH, [illegible]

IN CONNECTION [illegible] building plans in the [illegible] Saudi and Egyptian [illegible] have acquired a total [illegible] cent. of the capital of [illegible] hotel company Nova [illegible]

Managing director [illegible] Hatt to-day confirm[illegible] in the Zurich "Schweizerische [illegible] Zeitung" and told the [illegible] Times" that the [illegible] might increase to som[illegible] 42 per cent. in the [illegible] further capital incre[illegible] Park recently raised [illegible] from Sw.Frs.18m. to [illegible] and envisages a new [illegible] Sw.Frs.40m., possibly [illegible]

Nova Park opene[illegible] Zurich hotel, which [illegible] wide range of fa[illegible] businessmen, in 1972. [illegible] now been purchased [illegible] bank in Cairo for the [illegible] a Sw.Frs.300m. com[illegible] ing 400 hotel rooms [illegible] *ments, a shopping* [illegible] centre, a parking [illegible] other facilities. The [illegible] company will have a [illegible] share in this project [illegible] Egyptian investors th[illegible] 10 per cent.

Indices

NEW YORK—DOW JONES

	July 22	July 21	July 20	July 19	July 18	July 15	1977 High	1977 Low	Since compil'tion High	Since compil'tion Low
Industrial	925.42	921.78	926.46	918.27	910.60	905.95	999.75 (3/1)	899.66 (31/5)	1051.70 (11/1/73)	41.22 (2/7/32)
H'meB'nds*	92.65	92.79	92.79	92.65	92.72	92.89	95.57 (3/1)	90.68 (7/3)	—	—
Transport	250.54	259.56	258.53	256.51	236.46	235.95	246.64 (18/6)	221.81 (25/2)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	118.67	118.46	118.56	118.23	117.62	117.84	118.67 (22/7)	104.97 (25/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's†	23,118	26,888	29,388	31,940	26,690	29,128	—	—	—	—

* Basis of index changed from July 1.

Ind. div. yield %	July 15	July 8	June 30	Year ago (approx)
	4.87	4.85	4.83	3.83

STANDARD AND POORS

	July 22	July 21	July 20	July 19	July 18	July 15	1977 High	1977 Low	Since Compilati'n High	Since Compilati'n Low
*Industrials	111.78	111.86	111.85	111.95	110.98	110.08	118.92 (3/1)	105.97 (31/5)	134.64 (11/1/73)	35.2 (30/6/32)
†Composite	101.87	101.59	101.76	101.79	100.95	100.18	107.00 (3/1)	96.12 (31/5)	125.85 (11/1/73)	4.40 (1/6/32)

	July 20	July 13	July 6	Year ago (approx.)
Ind. div. yield %	4.34	4.43	4.42	3.38
Ind. P/E Ratio	10.51	10.12	10.14	12.77
Long Govt. Bond yield	7.61	7.59	7.60	6.68

N.Y.S.E. ALL COMMON

July 22	July 21	July 20	July 19	1977 High	1977 Low
55.71	55.64	55.73	55.76	57.67 (4/1)	52.56 (31/5)

Rises and Falls	July 22
Issues Traded—1,882	Up—802
Down—619	Same—461
New Highs—108	New Lows—22

		July 22	July 21	July 20	July 19	1977 High	1977 Low
MONTREAL	Industrial	181.45	182.86	185.13	185.45	196.47 (17/3)	168.92 (8/6)
	Combined	186.79	187.86	187.94	187.85	187.85 (19/7)	171.64 (27/6)
TORONTO	Composite	1060.1	1063.8	1068.2	1067.4	1067.4 (19/7)	979.4 (27/5)
JOHANNESBURG	Golds	—	157.4	156.9	158.5	192.5 (7/3)	139.4 (24/6)
	Industrials	—	182.5	182.1	185.2	186.8 (7/1)	169.1 (22/4)

	July 22	Pre-vious	1977 High	1977 Low
Australia (a)	449.61	452.17	469.71 (20/5)	419.66 (15/2)
Belgium (b)	—	—	99.12 (10.1)	92.61 (20/2)
Denmark (d)	102.75	102.71	107.92 (9/5)	98.96 (6/1)
France (e)	49.2	49.2	56.4 (7/1)	43.5 (10/5)
Germany (f)	752.0	751.4	790.7 (3/5)	712.5 (10/3)
HollandA (g)	84.2	83.7	95.2 (4/5)	81.2 (25/1)
Hongkong (h)	419.30	422.48	452.17 (11/5)	415.45 (14/3)
Italy (k)	58.42	59.72	73.71 (6/1)	57.95 (14/6)
Japan (m)	375.13	374.69	383.98 (6/6)	364.70 (7/4)
Singapore (n)	266.48	267.86	257.86 (21/7)	242.28 (3/5)
Spain (p)	83.69	83.90	102.37 (1/5)	83.69 (22/7)
Sweden (q)	345.58	346.24	416.68 (22/3)	345.58 (22/7)
Switzerl'd (r)	296.6	296.7	307.8 (3/6)	280.5 (5/3)

Indices and base dates (all base values 100 except NYSE All Common — 50. Standards and Poors — 10 and Toronto 300-1,000, the last-named based on 1975). (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73. (e) Paris Bourse 1961. (f) Commerzbank December 1953. (g) Amsterdam. Industrial 1970. (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (p) Madrid SE 31/12/76. (q) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp. 31/12/58. (s) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (c) Closed.

GERMANY ♦

July 22	Prices Dm.	+ or —	Div. %	Yld. %
A.E.G.	87.7	+0.1	—	—
Allianz Versich.	415	—5	s18	2.2
B.M.W.	236.8	+0.8	20	4.3
BASF	157.8	+0.1	17	5.3
Bayer	137.5	+0.5	16	5.8
Bayer Hypo.	263	......	20	3.8
Bayer Vereinsbk.	258	......	20	2.3
CibaInt.Ned.wrts	230	......	—	—
Commerzbank	191.5	+0.5	18	4.7
Conti. Gummi	70	+0.5	—	—
Daimler Benz	346.5	—1.6	19	2.4
Degussa	249.5	+2	18	3.6
Demag	147	—0.2	14	4.7
Deutsche Bank	274	—0.5	20	3.7
Dresdner Bank	222.5	+0.6	20	4.5
Dyckerhoff Zemt	127	......	6	2.3
Gutehoffnung	189	—1	14	3.7
Hapag Lloyd	116	—2	12	5.2
Harpener	179	+1	s9	5.0
Hoechst	138.4	+0.9	16	6.2
Hoesch	47.2	—1.6	4	4.3
Horten	129.5	......	14	5.4
Kali und Salz	109	......	9	4.1
Karstadt	343	......	s20	2.9
Kaufhof	221	+0.2	20	4.5
Klockner DM.100	102.5	+0.5	—	—
Klock Humbolt	162.5	—0.1	12	3.8
Krupp	102	—2	—	—
Linde	254	+1.7	12	3.4
Lowenbrau	1,620	......	20	1.2
Lufthansa	114.9	+0.4	7	3.0
M.A.N.	182	+2.5	14	3.9
Mannesmann	148.2	+1.2	14	4.7
Metalges'h	220.5	+0.4	10	4.5
Munch. Ruckvers	420	—5	18	2.1
Neckermann	41.9	+2.1	—	—
Preussag	144	......	7	4.9
Rhein West Elect.	171.5	+1.5	17	4.9
Schering	272	+0.5	20	3.7
Siemens	268.2	—0.5	16	2.6
Sud'entscheZcker	250	—2	s19	3.9
Thyssen Hutte	118.5	+0.4	14	5.8
Varta	251.8	—0.7	14	2.8
VEBA	124.2	+0.2	12	4.9
Verein & West Bk	302	......	20	3.0
Volkswagen	173	+2	10	2.8

Investment premium based on $2.60 per £1—111⅝% (111½%).

OVERSEAS SHARE INFORMATION

NEW YORK

1977 High	1977 Low	Stock	July 22
[illegible]	[illegible]	[illegible]	[illegible]

CANADA

JOHANNESBURG

AMSTERDAM

COPENHAGEN

BRUSSELS/LUXEMBOURG

STOCKHOLM

AUSTRALIA

TOKYO

SWITZERLAND

MILAN

PARIS

VIENNA

BRAZIL

OSLO

SPAIN

German B[illegible]

DEUTSCHE Babco[illegible] steady sales for [illegible] months of the fisca[illegible] September 30. In an interim re[illegible] holders, the powe[illegible] machine manufactu[illegible] in the nine-month p[illegible] DM2.019bn. agains[illegible] in the comparal[illegible] period. The report[illegible] company was confi[illegible] dend for the year w[illegible] cient to give do[illegible] holders a higher yi[illegible] year. This form[illegible] that, like most [illegible] panies, Deutsche Ba[illegible] the cash dividend, [illegible] shareholders will [illegible] total dividend bec[illegible] credit on dividends [illegible]

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax. [illegible]

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

(Accum. Units)	203.7	213.4	4.36
B'tgn. H.Y. July 21	142.8	149.6	8.14
(Accum. Units)	155.3	162.7	8.14
Endeavour July 19	162.1	169.4	2.64
(Accum. Units)	165.4	173.1	2.64
Grnchster. July 22	89.3	94.0 +2.7	3.62
(Accum. Units)	91.0	95.8 +2.9	3.62
Lon&Brnls July 20	63.3	66.2	2.09
(Accum. Units)	65.3	68.3	2.09

...fe Office Ltd.♥ (a)
...ridge Wells, Kt. 0892 22271

43.2	45.7	.....	5.99
40.6	43.4	.....	5.60
36.2	38.7	.....	9.73

...ext dealing day July 27.

...nited 01-351 3466. Three month Silver 271-274.
...e trading on commodity futures.
...mmodity futures market for the smaller investor.

...CIAL TIMES STOCK INDICES

	July 22	July 21	July 20	July 19	July 18	July 15	A Year ago
...	66.88	66.88	66.67	66.60	66.85	67.55	62.51
...	67.68	67.71	67.67	67.72	67.91	68.31	62.17
...y	431.6	433.9	439.1	446.3	460.5	453.7	378.4
...	116.3	117.5	118.8	119.6	115.7	116.2	115.0
...	5.55	5.51	5.45	5.39	5.35	5.32	5.82
...)(*)	16.52	16.46	16.28	16.08	15.96	15.88	16.94
...	8.76	8.79	8.89	9.00	9.06	9.11	8.75
...	4,819	5,963	5,738	5,875	5,320	4,668	4,460
...	—	66.55	63.15	58.50	57.12	64.49	49.36
...al.	—	14,199	13,751	16,110	15,515	14,972	11,660

... 434.2. 11 a.m. 431.3. Noon 431.5. 1 p.m. 431.8.
2 p.m. 431.2. 3 p.m. 431.3.
Latest Index 01-246 8026.
...ed on 52 per cent. corporation tax. Nil=8.69.
...L. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold
... Activity July-Dec. 1942.

...S AND LOWS

	1977 Low	Since Compilation High	Since Compilation Low
...8	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
...9	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
...4	357.6 (12/1)	44.6 (19/5/72)	49.4 (26/6/40)
...4	95.1 (1/2)	442.3 (22/5/75)	43.5 (28/10/71)

S.E. ACTIVITY

—	July 22	July 21
—Daily		
Gilt-Edged	131.6	157.2
Industrials	171.8	211.2
Speculative	35.3	42.2
Totals	109.7	135.7
-day Av'rage		
Gilt-Edged	153.1	151.7
Industrials	196.0	192.7
Speculative	41.5	41.5
Totals	126.2	126.5

—ACTUARIES INDICES

	July 22	July 21	July 20	July 19	July 18	July 15	A Year ago
...	174.65	175.00	177.38	179.32	181.45	182.98	149.90
...	200.82	201.20	203.73	206.11	207.55	209.00	166.88
...	5.74	5.72	5.65	5.58	5.54	5.50	5.98
...	8.50	8.52	8.64	8.78	8.84	8.91	9.94
...	183.37	183.53	185.88	187.94	189.02	190.48	156.65

...RE

July 22	$
...raitsTrad'g	‡5.75
...emenggong	‡1.33
...imes Pub. Berhad	‡3.62
...I. Engineers	‡1.72
... Ov's. Bk.	‡3.16
...earne	3.10
...ractor	‡3.28
...hemical	3.84
...Villm Jacks.	†1.38
...ubbers	
...atu Lintang	‡1.20
...unl'pEstate	†2.08
...empas	‡3.24
...ins	
...ustral. Am.	4.00
...erjuntai	†5.05
...ampar	†2.30
...ranul	—
...unbai	—
...ower Perak.	—
...etaling Tin.	†4.50
...upreme Cp.	†1.21
...ongkahHar.	‡2.00

...1. — Unquoted.

HONG KONG

Hong Kong$	July 22	July 15
Govt. Loan 1948	—	—
Amalgamated Rubber	—	‡1.45
Bowaters	—	—
China Light & Power	20.70	20.90
City Hotels	†35.00	†37.00
Cosmopolitan Properties	—	—
Cross Harbour Tunnel	11.50	11.40
E. Asia Navigation	5.95	6.10
Hong Kong Aircraft	n68.50	68.00
HongKng&WhmpoaDocks	10.10	11.00
Hong Kong Electric	5.00	5.15
HongKongKowloonWharf	14.30	15.00
Hong Kong Land Invest.	6.80	7.00
HongKongShanghai Bank	17.70	18.00
HongKongShanghaiHotls	†12.70	13.80
Hutchison International	3.25	3.375
Inter. Pacific Securities	†6.50	†6.45
Jardine Matheson	14.00	14.80
Jardine Secs	6.40	6.65
Rubber	1.40	†1.40
Sime Darby	6.50	†5.90
Southn. Pac. Prop.	†0.50	†0.51
Southsea Textile	—	—
Swire Pacific A	6.10	6.75
Textile Alliance	—	—
TextileCorp of Hong Kong	—	—
Wheelock Marden	2.55	2.675
Wheelock Maritime	†4.10	†4.15
Winsor Industrial	1.88	—
Wynnor	†12.10	†12.00

† Buyer. ‡ Seller. n Nominal. xd Ex-dividend. Susp. Suspended—unquoted. xa Ex-all.

Scottish Widows' Group
PO Box 902, Edinbrgh., EH16 5BU. 031-655 6000

Inv.Ply.Series 1	89.7	89.7	-1.6	—
Inv.Ply.Series 2	85.8	89.5	-1.6	—
Ex.Ut.Tr.July 20	118.2	121.3	-1.2	—
Mgd. Pens. July 20	212.2	227.9	-2.5	—

...plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-283 1101.
Index Guide as at 19th July, 1977 (Base 100 at 14.1.77)
Clive Fixed Interest Capital 112.30
Clive Fixed Interest Income 102.62

CORAL INDEX: Close 429-434

INSURANCE BASE RATES

† Property Growth 10%
Cannon Assurance 5%
† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 39½% (based on $US1.7197 per £)

Conversion factor 0.7148 (0.7151)

CANADIANS

S.E. List Premium 39½% (based on $1.8327 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicle

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

Finance, Land, etc

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
July	Burma Mines 17½p.	9	575	—	—	—
—	Charterhall 5p	22½	—	—	—	—
—	Colby Mines $C1	93½	—	—	—	—
Aug. Feb.	Cons. Murch. 10c	375	27.6	‡Q140c	1.4	‡
July	Northgate C$1	405	375	—	—	—
Jan. June	R.T.Z.	203	9.5	8.0	φ3.1	6.1
—	Sabina Inds. C$1	43½	—	—	—	—
—	Tara Exptn. $1	£14⅛	—	—	—	—
Nov. July	Tehidy Minerals 10p	45	23.5	1.19	φ	4.1
October	Yukon Cons. C$1	125	15.9	Q6½c	3.6	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- φ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 23

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	19	......
Ash Spinning	40	......
Bertam	17	......
Bdg'wtr. Est. 50p	225	......
Clover Croft	21	......
Craig & Rose £1	360	......
Dyson (R.A.)	22	......
Ellis & McHdy	63	......
Evans Fr'k. 10p	29xd	......
Evered	11	−½
Fife Forge	44	......
Finlay Pkg 5p	13½	......
Graig Ship £1	350	......
Higsons Brew	90	......
I.O.M. Stm. £1	160	......
Holt (Jos.) 25p	225	......
Kleen-e-Ze	50	......
N'thn. Goldsmith	28	......
Pearce (C. H.)	103	......
Peel Mills	13	......
Sayers 12½p	32	......
Sheffield Brick	90	......
Sheff. Refrshmt.	172	......
Shiloh Spinn	20	......
Sindall (Wm.)	65	......

IRISH

Conv. 9% '80/82	£92⅝	......
Alliance Gas	55	......
Arnott	310	......
Carroll (P.J.)	84	−3
Clondalkin	54	−1
Concrete Prods.	78	......
Heiton (Hldgs.)	34	−1
Ins. Corp.	120	......
Irish Distillers	65	−2
Irish Ropes	135	......
Jacob	50	......
Sunbeam	14½	......
T.M.G.	88	......
Unidare	54	......

OPTIONS
3-month Call rates

Industrials	
A. Brew	6½
A.P. Cement	18
B.S.R.	12
Babcock	10
Barclays Bank	25
Berry Wiggins	5
Beecham	38
Boots Drug	15
Bowaters	16
B.A.T.	21
British Oxygen	6
Brown (J.)	20
Burton 'A'	6
Cadburys	5
Courtaulds	10
Debenhams	8
Distillers	13
Dunlop	8½
Eagle Star	11
E.M.I.	18
Gen. Accident	17
Gen. Electric	16
Glaxo	40
Grand Met.	7
G.U.S. 'A'	18
Guardian	18
G.K.N.	25
Hawker Sidd.	60
House of Fraser	12
I.C.I.	23
"Imps"	7
I.C.L.	20
Inveresk	7
Ladbroke	11
Legal & Gen.	12
Lex Service	6
Lloyds Bank	22
"Lofs"	5
London Brick	5
Lonrho	8
Lucas Inds.	25
Lyons (J.)	9
"Mams"	7
Mrks. & Spncr	10
Midland Bank	25
Nat. West. Bank	22
Do Warrants	8
P & O Dfd.	13
Plessey	7
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	18
Reyrolle	20
Spillers	4
Tesco	4
Thorn 'A'	22
Trust Houses	19
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6
Property	
Brit. Land	5
Cap. Counties	3½
E.P.	5
Intereuropean	5
Land Secs.	18
MEPC	10
Peachey	6
Samuel Props.	10
Town & City	2
Oils	
Brit. Petroleum	60
Burmah Oil	8
Shell	28
Ultramar	15
Mines	
Charter Cons.	12
Charterhall Fin.	3½
Cons. Gold	12
Rio T. Zinc	16

FINANCIAL TIMES
Monday July 25 1977

ARAB LEADERS INTENSIFY PEACE EFFORTS

Sadat calls off Libyan bombing

BY MICHAEL TINGAY

CAIRO, July 24.

PRESIDENT Sadat of Egypt to-night ordered an immediate halt in all military operations on the borders of Libya, following heavy attacks by the Egyptian air force against two Libyan airfields and two Libyan radio stations.

The order, reported by Cairo Radio, followed a day of intense Arab efforts at mediation, involving President Boumedienne, of Algeria, Sheikh Sabah al Ahmed al Sabah, the Kuwaiti Foreign Minister, and Mr. Yassir Arafat, chairman of the Palestine Liberation Organisation.

According to the PLO, Mr. Arafat was also to-day successful in persuading Colonel Khedaffi, the Libyan President, to accept a truce. A Libyan Embassy spokesman in London denied there was any immediate prospect of a truce.

President Boumedienne flew to Alexandria, where Mr. Sadat is staying, after talks in Tripoli with Colonel Khedaffi and Mr. Arafat. "The talks had barely started between the two presidents, when President Sadat issued orders that all military operations along the border should be halted immediately," Cairo Radio reported.

In the course of the day, according to the Egyptian military spokesman, Egyptian aeroplanes once again struck at the El Adem base situated south of Tobruk, about 75 miles inside Libyan territory, and also struck at the airfield at the Kufra oasis, 500 miles to the south of Tobruk.

They also struck at and destroyed two radar stations, one 12 miles west of the El Adem base, and one in the Nazwat al-Domah area, some 350 miles South West of the border town of Sallam.

In the raid on the El Adem base, according to the spokesman, its military installations, runways, anti-aircraft posts, and tanks were destroyed. In the raid on the Kufra airport, runways and some installations were destroyed.

Two Egyptian Soviet-built Sukhoi-20s were shot down according to the spokesman, but one pilot had parachuted safely over Libyan territory.

Meanwhile the Libyan News Agency accused not only Egypt, but also the Sudan of jointly launching "direct aggression" against Colonel Kheddaffi's regime. Libya also claimed to have shot down 15 Egyptian planes.

Refugees from the west were streaming into Benghazi earlier to-day and wounded were being brought to Tripoli airport, according to travellers from Libya arriving here to-day via Athens.

Although Libyan Airlines is maintaining some of its schedules, many flights are understood to have been cancelled as aircraft have been diverted to carry evacuees and wounded from the battle zone.

The reports suggest that the scale of the conflict may be greater than the communiques issue here have suggested. While Cairo has remained calm, there seems little doubt that President Sadat has been determined to teach Colonel Khedaffi, the Libyan leader, "a lesson he will never forget," as he put it in his address to the nation last Friday on the 25th anniversary of the 1952 revolution. The long drawn out nature of the conflict also indicates that President Sadat has been trying to put sufficient pressure on Colonel Khadaffi to undermine his position.

Mr. President Sadat had sent letters to Arab leaders explaining that Egypt had been "forced to repel Libyan aggressions," but had limited retaliation to Libyan military targets.

Libya has submitted a memorandum to the Arab League listing details of alleged Egyptian "aggressions," according to a spokesman at its headquarters here. He added that Tripoli had not requested a meeting of Arab leaders, but the conflict may be discussed at a routine meeting of ambassadors accredited to the League which is scheduled for to-morrow night.

Because of the relative calm here diplomats in Cairo and Alexandria had minimised the extent of the fighting, which was prompted by Libyan instigated attacks along the border 12 days ago.

However, there is strong evidence that the scale of fighting and bombing may have been more serious than generally believed.

Facilities at Tripoli Airport have been run by a skeleton staff because the usual Egyptian personnel were not being allowed to work. Egyptians in Tripoli were reported to be nervous but so far not threatened by the Libyan Government.

Egyptian hostility to the Soviet Union, which has been stressed in speeches by President Sadat and Mamdouh Salem, the Prime Minister, seems to have been heightened by what appears to be an Egyptian misunderstanding of a Soviet note delivered in May.

It was then that the Soviet Union delivered a message to a number of Arab states discussing the dangers of Arabs becoming embroiled in actions against fellow Arabs.

The note was delivered verbally to Egypt, but Kuwait reportedly provided Cairo with the text. Egypt interpreted this as a Soviet threat on behalf of Libya, to whom it has been supplying arms.

Spain includes wealth tax and wage curb in economic package

BY ROGER MATTHEWS

MADRID, July 24.

THE SPANISH Government has announced proposals to moderate wage increases, to establish an inheritance tax and a progressive tax on wealth, and to modernise the country's financial structure as part of its programme to tackle Spain's worsening economic crisis, which is seen as the greatest threat to democracy.

A number of prices, including those of petrol, public transport and electricity, are to go up.

At a 12-hour Cabinet meeting yesterday it was also agreed that Spain would make formal application this week to join the Common Market, the European Iron and Steel Community and Euratom.

The Government is seeking a substantial reduction in the level of wages and salary increases. In December—the last figures available—these were running at an annual rate of 30 per cent. It is proposing a flat increase for all workers in the next 12 months, to be expressed in peseta terms rather than as a percentage. According to the Government this will have an important effect on redistributing wealth and protect the less well off.

A draft law will be sent to Parliament before September 30 providing for a progressive tax on net wealth. This will start at Ptas.8m. (£40,600) for a married man with two children. It will be accompanied by a special tax on the highest income levels. Those earning more than Ptas.2m. a year will have to pay a 5 per cent. surcharge.

A new inheritance tax and increases in luxury tax will be imposed. Measures to combat land speculation and the reform of direct taxation are scheduled to reach Parliament by November 30.

Revenue from these taxes will be substantially directed towards easing unemployment and providing funds for those workers made permanently redundant. A special Ptas.20bn. issue of public debt will be made to finance public works in the country's worst hit areas. Employers increasing their workforce will be entitled to company tax relief.

Prices of petrol and other oil derivatives, coffee, public transport, soya oil and electricity will go up almost immediately as a "direct and inescapable result" of devaluation. The 20 per cent. import surcharge on certain goods which was introduced in October will be lifted. The Government feels devaluation will effectively take over its role.

The Bank of Spain's discount rate, against which other interest rates are officially fixed, will rise one point to 8 per cent. All loans or deposits for periods of one year or more will be freed from official control. Previously the commercial banks and their customers could fix interest rates only for transactions for more than two years.

The Government plans further measures to increase competition, especially in the financial sector. It looks forward to freeing all interest rates, to strengthening the competence of the financial markets, to reducing the role of the privileged circuits whereby deposits are creamed off from the banks and re-lent at preferential rates, and to making the banking sector more homogeneous in respect of their legal and administrative status. This would indicate a more important role for the savings banks.

The Government stressed that these far-reaching changes would have to be introduced very gradually, to avoid the risk of violent upheavals.

A special commission will be set up to investigate ways of improving the structure of the stock exchange and making it more attractive to companies and investors.

Despite the Government's insistence that inflation, which is running at an annual rate of 27 per cent., is its greatest single problem no more measures have been adopted apart from those introduced last week. Any form of price freeze will have to wait until the Cabinet sees what success it can achieve in negotiating a wages policy with the trades unions.

The Government has yet to propose special measures to stimulate exports, given that the current account deficit is threatening to exceed last year's $4.3bn. The Government stressed that a cut in the rate of inflation would be the single biggest aid to the balance of payments.

Labour chiefs head for row

By Rupert Cornwell, Lobby Staff

LABOUR'S BITTER internal divisions on the Common Market, economic strategy and defence will hold the stage this week at what is set to be one of the longest, and perhaps most acrimonious, sessions of the party's National Executive.

The policy-making NEC is due to spend all Wednesday over its last regular gathering before the October party conference in Brighton. Down for consideration is a four-inch pile of documents representing about 40 separate items.

The two most controversial, covering the EEC and the economy emanate either in whole or in part from the home policy committee of the party, chaired by Mr. Anthony Wedgwood Benn, Energy Secretary. They leave little chance of avoiding a head-on collision between the Left and NEC moderates, led by the Prime Minister.

Also due for discussion is a report urging a 28 per cent. cut in defence spending and the phasing out of Britain's nuclear deterrent. The expectation is that this document will be approved but in a distinctly watered-down form.

The clash on economic policy will come when the executive examines the so-called "campaign document" produced by the home policy committee which revolves around the "alternative strategy" of the Left, based on reflation, higher public spending, and increased State intervention through the National Enterprise Board.

Under fire come not only the Treasury and the Bank of England for allegedly poor handling of the economy but in essence almost the entire current policy of Mr. Denis Healey, the Chancellor.

Virulent criticism of Britain's EEC membership comes in an 81-page report prepared by the party's home and international committees and an NEC statement which anti-marketeers intend should have approval ahead of the party conference.

Almost every aspect of the Common Market is condemned, from its farm and energy policies, to the "liberal capitalist ideology" propounded by the Brussels Commission and the erosion of the authority of Westminster.

THE LEX COLUMN

The pension fund £20bn. question

Pension funds lie right at the heart of the debate on the role of the financial institutions. Not only are the resources at their disposal already very large—probably now over £20bn., including funds managed by life offices—but they are growing faster than other capital market participants like the clearing banks or the insurance companies. Yet the evidence to the Wilson Committee by the National Association of Pension Funds is more notable for the questions it raises than for the answers it provides.

The funded pension system, according to the submission, results in "restraint on current consumption and allocation of resources to productive investment." Yet such an allocation, on the evidence, is hardly necessary. "The problem is the lack of demand for capital on terms which pension funds can accept." The requirements for relatively high returns with an acceptable degree of risk have drawn the funds into a "search for new and suitable investment outlets."

The fact that this quest has led pension funds to move into property, commodities and even Blue Period Picassos lends a certain defensive tone to the document. Take property, in which the Wilson Committee has a special interest. Why mention industrial units first among the homes for the funds' resources when they rank—despite a current fashion for them—well behind offices and shops?

And it is not quite sufficient, in explaining the excesses of the property market in 1972-73, to blame it all on bank lending to developers "who drove prices up and yields down to artificial levels which no-one could justify." Net property acquisitions by the funds at these unjustifiable yields increased by 35 and 67 per cent. respectively in those two years.

On equity investments the NAPF is blunted about the problems involved. The weight of pension fund investment is increasing the emphasis given to the "core" holding philosophy, whereby investments are relatively immobile. Although the funds inevitably concentrate on the 200 major companies which account for 80 per cent. of the capitalisation of the U.K. equity market they are developing ways of investing indirectly in smaller companies through specialist vehicles. A few tantalising remarks are also included about "direct investment in capital projects."

The implications of current trends are, however, much more far-reaching should they continue for any length of time. Pension funds' inflows have risen from roughly 2.5 per cent. of wages and salaries in the 1960s to over 4 per cent. to-day, and the NAPF sees the figure reaching 5 per cent. Meanwhile disposal of company securities by private individuals has, according to the latest first quarter 1977 statistics, accelerated further.

Already institutions account for 65 per cent of all equity purchases. The NAPF tells the Wilson Committee that "funds are tending to take a closer interest in the management" of core companies, but there is no indication of any formal machinery which could give the institutions an effective voice.

The danger when such a glut of funds is available is that it will lead to a reduction in the return on investment generally, and that waste rather than worthwhile capital projects will be encouraged. If the demand for capital does not arise spontaneously, the pension funds may need to show how—not necessarily single-handedly—they can help stimulate it.

Son of ED18

On Wednesday the Accounting Standards Committee is likely to agree an interim inflation accounting formula under which the bare essentials—a cost of sales adjustment, replacement cost depreciation and some kind of correction items—would be i supplementary stat commendable aim i vacuum which wou follow the collapse proposals. But a the key question is compliance with standard could be

After the dis overtook the Eng there is no real c proposals being tory on practising No doubt the ASC strong exhortation roles will also nee by the Stock Exch and the Governme

In January 197 Exchange sent a l men of all liste stating that comp include in a state mentary" estimate basic elements accounting inform small companies 40 per cent. of la ignored the requ is now likely to issue a new, stron to back up the AS probably do so. no chance of it b most powerful san making such infor dition of listing. panies would not the threat of havin tions suspended (t might be wise to ing the data comp issue prospectuses.

What may help rally its troops i of Stage Three at trading profits ar and net profits quantum jump "abolition" of provisions. Ford a precedent for u adjusted account negotiations, but ing not to over-eg

A combined effo the Stock Exchan and the Governme panies to support proposals ought tc pressure to bear o trants. Yet in th problems of ED18 inflation accountin successfully brough the delicate nurtu sensus. The chall to use the interim as a way of brin opinion around tc tance of a future accounting standar

Skytrain rivals cut fares

Financial Times Reporter

BRITISH AIRWAYS is seeking to lower its fares on North Atlantic routes in a move to compete with Mr. Freddie Laker's Skytrain.

It said last night that if Government approves it will introduce reduced fares from September 1. The move, which could mean a 17 per cent. reduction on the New York-London round trip, came after last week's international air transport conference in Geneva failed to agree on how to combat Skytrain.

New fares would still be higher than Skytrain's. "But," said British Airways last night, "the Skytrain will not provide passengers in advance with confirmed seats in either direction. Nor will it provide the high standards of in-flight service, including meals such as we offer."

Round trip

The new British Airways London to New York round trip would cost £153, compared with Skytrain's £139—made up of two single tickets, one each way.

The application for the lower fares will be filed in Britain with the Civil Aviation Authority and in America with the Civil Aeronautics Board within a few days.

Other transatlantic airlines, such as Pan American and Trans World, are expected to devise various fares arrangements of their own to compete with Skytrain.

Bermuda signing Page 5

National Savings receipts rose by £172.4 last month

BY ADRIENNE GLEESON

THERE WAS a dramatic increase in National Savings receipts in the four weeks to June 25. The 10 per cent. return offered by National Savings Bank investment accounts attracted a flood of money as interest rates declined elsewhere.

Net receipts in investment accounts rose by £159.3m., pushing net receipts of all forms of National Savings up by £172.4m. (before accrued interest of £49.2m.). And net receipts in the subsequent period are likely to have been higher still.

It is the second time this year that National Savings receipts have risen sharply as investors have been attracted by returns out of line with a falling market.

The first occasion was in March and April, when net receipts rose by successive record amounts in consequence of a flood of applications for the 16th issue of National Savings Certificates.

Receipts last month were the third highest for the year, bringing the total invested in National Savings to £13,523.5m.

Limit

Investment account deposits were swollen by receipt of "substantial" amounts from non-profit making institutional investors, such as building societies and charities, attracted by the high return.

At end-June, total deposits in NSB investment accounts were £868.4m.

Since then a limit of £50,000 has been placed on the total that a depositor may place in an investment account. The limit came into force last Friday, and the Department for National Savings said that it was being introduced to help protect the interest rate on investment accounts.

Net receipts of National Savings Certificates, following the re-introduction of the less attractive 14th issues, rose by only £18.9m. in the four weeks to June 25, though repayments, at £17.5m., were the lowest for any month since March, 1971. This was the second highest gain in net receipts.

Otherwise, most National Savings instruments showed the normal seasonal pattern of disinvestment, with deposits with the Trustee Savings Banks declining by £13.7m., while deposits in the ordinary accounts of the National Savings Bank rose by only £0.3m.

However, there was an inflow of £4.9m. into the index-linked Save as You Earn issue, while net receipts from the 21m.-odd holders of premium bonds amounted to £3.9m.

A brisk savings competitor, Page 21

Healey seeks State industry aid on pay

BY DAVID CHURCHILL, LABOUR STAFF

MR. DENIS HEALEY, Chancellor of the Exchequer, will write to the chairmen of the nationalised industries this week urging them to adhere to the Government's pay strategy for the coming year in pay negotiations with their employees.

The Chancellor's letter forms part of the Government's campaign to ensure that in the public sector, where it can influence wage settlements, its guidelines calling for a 12-month gap between pay rises and single-figure increases are followed.

This policy is already being challenged in two nationalised industries. British Airways maintenance engineers, who on Friday accepted 100 per cent. increase in shift pay, are seeking these payments immediately instead of waiting until January when their next rise is due. Britain's miners are expected to seek £135 a week from November although their next settlement date is March.

The Government's determination to ensure that the end of Phase Two does not bring a wages explosion will be considered by the TUC general council on Wednesday.

Last week the TUC economic committee, whose report is expected to be endorsed by the general council, declined to recommend guidance on the level of wage settlements in the coming year.

It "noted" the Government's pay strategy. At Wednesday's general council meeting the debate is likely to centre on whether the 12-month rule should be adhered to.

Settlements

Details of the Conservative's likely strategy over wage settlements emerged yesterday. Mr. James Prior, Shadow employment spokesman, suggested that unions, employers and the Government should attend a yearly forum to discuss what the nation could afford in pay rises. This meeting should follow an independent annual report on pay, prices, tax, savings, investment, public spending and unemployment.

Mr. Prior attacked the Government's handling of the pay situation. A future Tory administration would try to secure understanding and acceptance of the financial targets the country should set itself.

His comments were made in a letter to Mr. Fred Hardman, chairman of the Conservative Trade Unionists. Mr. Prior suggested there should be less secrecy in the Government's preparation of its Budget figures, to give both management and union negotiators the chance to bargain responsibility.

An independent report should be prepared and put before the people every year "well before the Budget and before cash ceilings are set so that everyone can have an understanding of what is possible and how each can help."

The forum should be set up to consider this report. "Only good could come of them sitting down and seeing how their ambitions fitted in with the national economy and the ambitions of other groups."

Mr. Prior warned the Government that if it did not accept the "economic imperatives of proper money and spending policies, then this country will surely have industrial disruption, companies making wage settlements at higher levels than they can afford, higher prices, a breakdown in our public services, bankruptcies, closures and massive unemployment."

The Government is likely to fight vigorously to maintain its pay strategy. It could continue to use such weapons as the Price Code to ensure that companies are not able to pass on substantial wage rises in the form of higher prices. This Price Code weapon could also apply to spurious productivity schemes put forward by companies as genuine, self-financing productivity deals which are exempted from the 12-month rule.

Support for the Government's policy came yesterday from Mr. John Lyons, general secretary of the Electrical Power Engineers' Association. He said he was against "a self-defeating and potentially damaging wages explosion" although he would not stand by and let his members suffer if one took place.

The rank and file will decide

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Continued from Page 1

Rhodesia

even though it was taken for granted that each group would object to at least some part of them.

A further reason for delay in releasing them, however, is the decision by Mr. Smith to call an election at the end of August.

It was recognised by U.S. and British officials that this could immeasurably complicate the situation if it led to the strengthening of the white Right-wing inside Rhodesia.

Tony Hawkins adds from Salisbury: White Rhodesians and the Muzorewa and Sithole nationalist parties are hoping that the Vance-Owen talks will result in new settlement terms that do not "pander" to the military Patriotic Front.

Weather

U.K. TO-DAY

SHOWERS, sunny intervals. Strong winds in many areas.

London, E. Anglia, Midlands, E. Cent. N. England
Showers and sunny intervals. Max. 16-18C (61-64F).

S.E., S.W., N.W. England, Cent. S. England, Channel Is., S.W. England, Wales, Lakes, I. of Man, S.W. Scotland, Argyll, N.W. Scotland, N. Ireland
Bright intervals and showers. Max. 15-19C (59-66F).

N.E. England, Borders, Edinburgh, Dundee areas, Highlands
Sunny intervals and showers. Max. 14-15C (57-58F).

Aberdeen, Moray Firth areas, N.E. Scotland, Orkney, Shetland
Rain or showers. Max. 12-13C (54-55F).

Outlook: Changeable.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amstrdm	R	15	59	Manchestr	F	15	59
Athens	S	31	88	Melbourne	C	9	48
Bahrain	S	37	98	Mexico C.	S	26	79
Barcelona	S	27	81	Milan	S	27	81
Beirut	S	30	86	Montreal	S	26	79
Belfast	R	13	55	Moscow	C	16	61
Belgrade	S	25	77	Munich	S	24	75
Berlin	R	19	66	Newcastle	F	16	61
Brmgham	F	17	63	New York	S	32	90
Bristol	F	17	63	Oslo	R	13	55
Budapest	S	26	79	Paris	F	24	75
Cairo	S	36	96	Perth	F	14	57
Cardiff	F	17	63	Prague	S	26	79
Cologne	C	20	68	Reykjavik	S	15	59
Copnhagn	F	18	64	Rio de J'o	S	35	95
Dublin	F	17	63	Rome	S	28	82
Edinbrgh	F	17	63	Singapore	S	31	87
Frankfurt	F	25	77	Stockhlm	R	14	57
Geneva	S	26	79	Strasbrg	F	25	77
Glasgow	C	15	59	Sydney	W	13	55
Helsinki	F	17	63	Tehran	S	38	100
H Kong	S	31	87	Tel Aviv	F	29	84
Jo'burg	S	22	72	Tokyo	S	31	87
Lisbon	S	27	81	Toronto	S	29	84
London	C	16	61	Vienna	S	27	81
Luxemb'g	C	21	70	Warsaw	F	24	75
Madrid	S	27	81	Zurich	S	25	77

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	S	25	77	Istanbul	F	28	82
Algiers	C	28	82	Jersey	R	16	61
Biarritz	F	21	70	Las Plms	F	24	75
Blackpool	F	16	61	Locarno	F	26	79
Bordeaux	S	29	84	Majorca	F	27	81
Boulogne	R	15	59	Malaga	S	27	81
Casablnca	F	23	73	Malta	S	28	82
Cape Tn	C	16	61	Nairobi	C	21	70
Corfu	F	28	82	Naples	S	29	84
Dubrovnik	S	27	81	Nice	S	25	77
Faro	S	24	75	Oporto	S	18	64
Florence	S	27	81	Rhodes	S	27	81
Funchal	S	22	72	Salzburg	S	26	79
Gibraltar	F	23	73	Tangier	S	28	82
Guernsey	C	13	55	Tenerife	C	18	64
Innsbruck	S	22	72	Tunis	S	28	82
Inverness	C	15	59	Valencia	S	28	82
I. of Man	S	15	59	Venice	S	25	77

R—Rain. S—Sunny. F—Fair. C—Cloudy. W—Windy.

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